



## **Dillan's Villains**

Dillan Wendel, Ellie Ambs, Evan Martinez, Nicholas Orange, and Santiago Quinonez

# Company Overview





# What do they do?

Once Zone

## FREE DIAGNOSIS & TREATMENT

- 1. **Free Diagnosis**  
A qualified professional will assess your condition and provide a clear diagnosis.
- 2. **Free Treatment**  
Once Zone offers a range of treatments designed to relieve your symptoms.
- 3. **Free Advice**  
We provide expert advice on how to manage your condition and prevent further flare-ups.

## GET HELP & TREATMENT ADVICE

- 4. **Free Advice**  
Our experts are available to provide free advice on your condition.
- 5. **Free Diagnosis**  
A qualified professional will assess your condition and provide a clear diagnosis.
- 6. **Free Treatment**  
Once Zone offers a range of treatments designed to relieve your symptoms.

## GET PAIN RELIEF & WHEN YOU NEED THEM

- 7. **Free Diagnosis**  
A qualified professional will assess your condition and provide a clear diagnosis.
- 8. **Free Treatment**  
Once Zone offers a range of treatments designed to relieve your symptoms.
- 9. **Free Advice**  
We provide expert advice on how to manage your condition and prevent further flare-ups.



# Snapshot



**Ticker:** AZO

**Headquarters:** Memphis Tennessee

**Market Capitalization:** \$27B

**Revenues:** \$12.6B

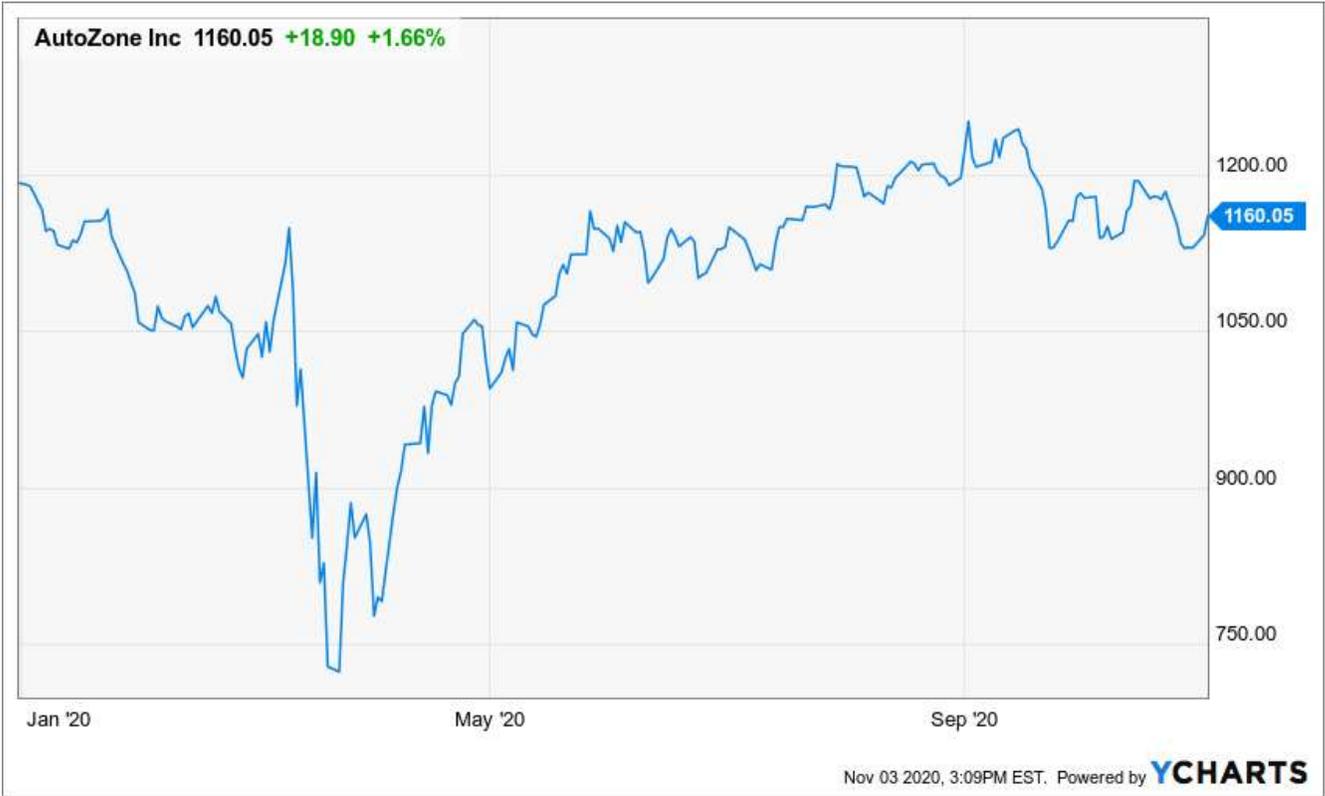
**Stock Price:** ??????

Operates 5,885 stores in the US, with 621 stores in Mexico and 43 stores in Brazil

**Competitors**



# 52-Week Performance



**September-** recovered from the March market shocks due to Covid-19

**Current-** Trading 7% beneath 52 week high. All time price peak of \$1221

# Timeline

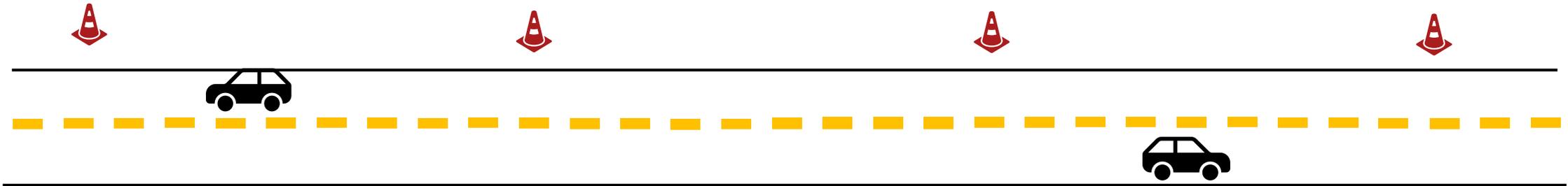


**1979** - As a division of Malone & Hyde, the first Auto Shack store opens in Forrest City, Arkansas on July 4, 1979.

**1987** - The name Auto Shack changed to AutoZone.

**2007** - The 4000th U.S. AutoZone store opens in Houston, Texas.

**2018** - The tenth AutoZone U.S. Distribution Center opens in Ocala, Florida.



**1986** -Auto Shack was spun off as a freestanding company

**2002** -The Hub store is developed to get product to the customers faster.

**2011** - AutoZone Commercial reaches \$1 billion in sales.

# What do they do?

AutoZone is the leading retailer and a leading distributor of automotive replacement parts and accessories in the United States

Each store carries a wide array of parts for a wide array of vehicles including hard parts, maintenance items, accessories, and non-automotive products.

Products sold are for parts failure, regular vehicle maintenance, and discretionary accessories



# What do they do?

## FREE DIAGNOSTICS & TROUBLESHOOTING



### Free Fix Finder™ Service

Check engine light on? We'll check it and give you a free report.



### Free Testing

We'll check your alternator, starter, battery and more.



### Battery Solutions

Check it before you buy it or bring a dead battery back to life.

## GET HELP & TRUSTWORTHY ADVICE



### Loan-A-Tool®

Borrow specialty tools for free.\*



### Repair Help

Get step-by-step guides and information for every skill level.



### Recycling

Bring us your used oil or get credits for used batteries.

## GET PARTS WHERE & WHEN YOU NEED THEM



### Drive Up

With more than 5,700 locations, we're just around the corner.



### Free Store Pick Up

Pick up at any location in the US.



### Next Day Delivery

Free next day delivery in most markets on orders of \$35 or more.

# What do they do?

AutoZone's products are stocked so that customers have an array of Good, Better, and Best parts options for prices to match the quality

Exclusive line of in-house brands, which includes Duralast, ProElite, ShopPro, SureBilt, TruGrade and Valucraft

Provide free next day delivery and same day delivery through third party services like Roadie. Next day delivery covers 85% of the U.S. Population.



# Supply Chain

All parts are listed under the 'Z-Net' a proprietary inventory management tool that helps employees locate needed parts in store, or from nearby stores

Stores are restocked regularly, and if a needed part is absent, it travels down the chain from mega hub stores.

## Mega Hub Stores



**44 Total Stores**  
80,000-100,000 Unique products

## Hub Stores



**224 Total Stores**  
50,000 Unique products

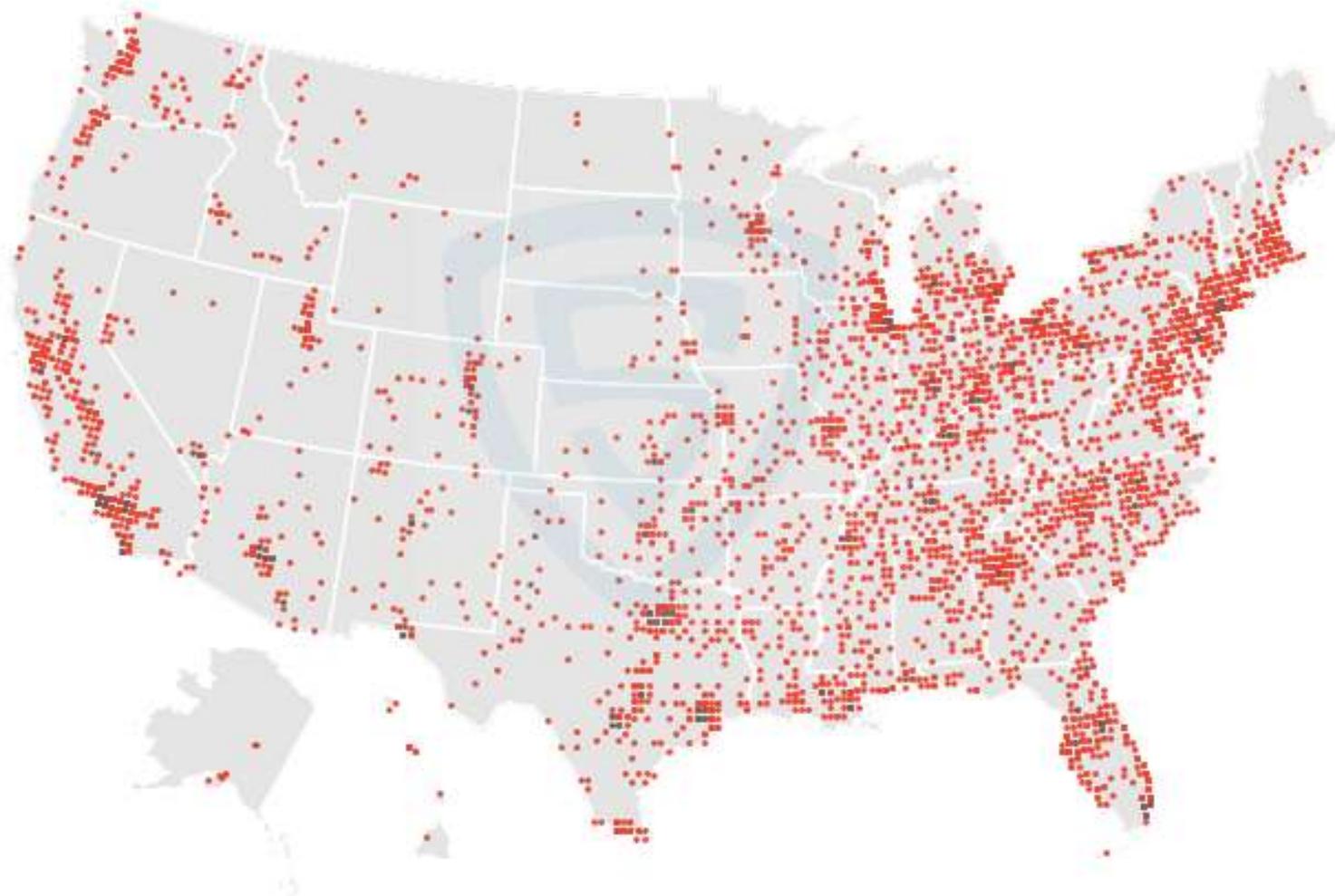
## Satellite Stores



**6,281 Total Stores**  
23,000 Unique products

# Supply Chain

● 5 or less    ● Greater than 5



# Supply Chain



All parts are sourced through centers located in Memphis, Tennessee; Monterrey, Mexico and Sao Paulo, Brazil.

Only one class of similar products accounted for approximately 12 percent of sales, and one vendor supplied approximately 12 percent of sales

AutoZone has alternate suppliers and substitute products lined if products are out of stock or if suppliers over bargain



# Product Types

## Failure



## Maintenance



## Discretionary

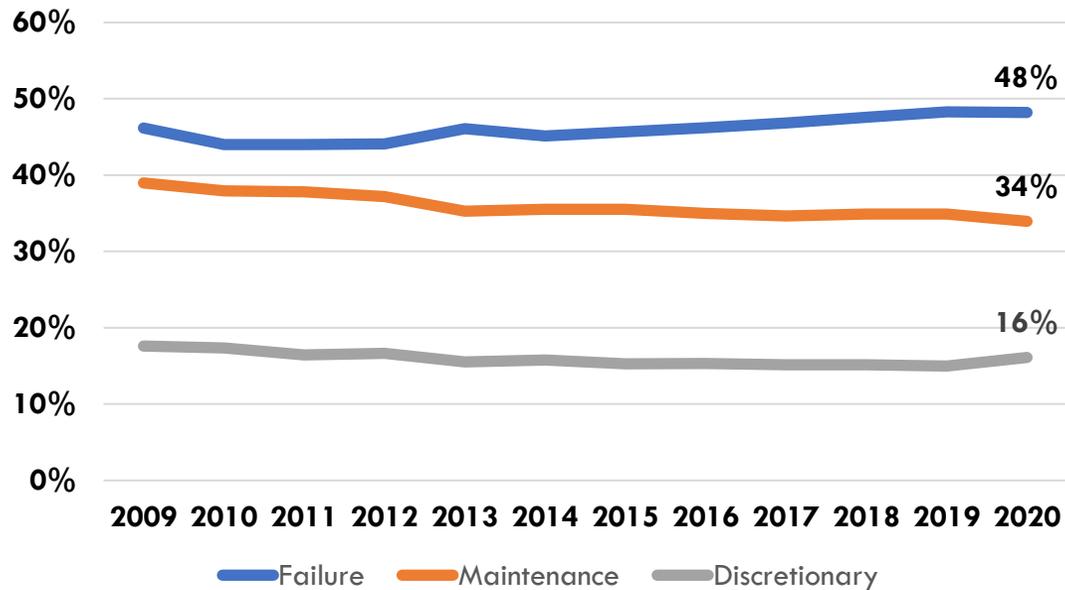


# Revenue By Segments



# Revenue By Product Type

Sales by Product Type as a % of Total Revenue



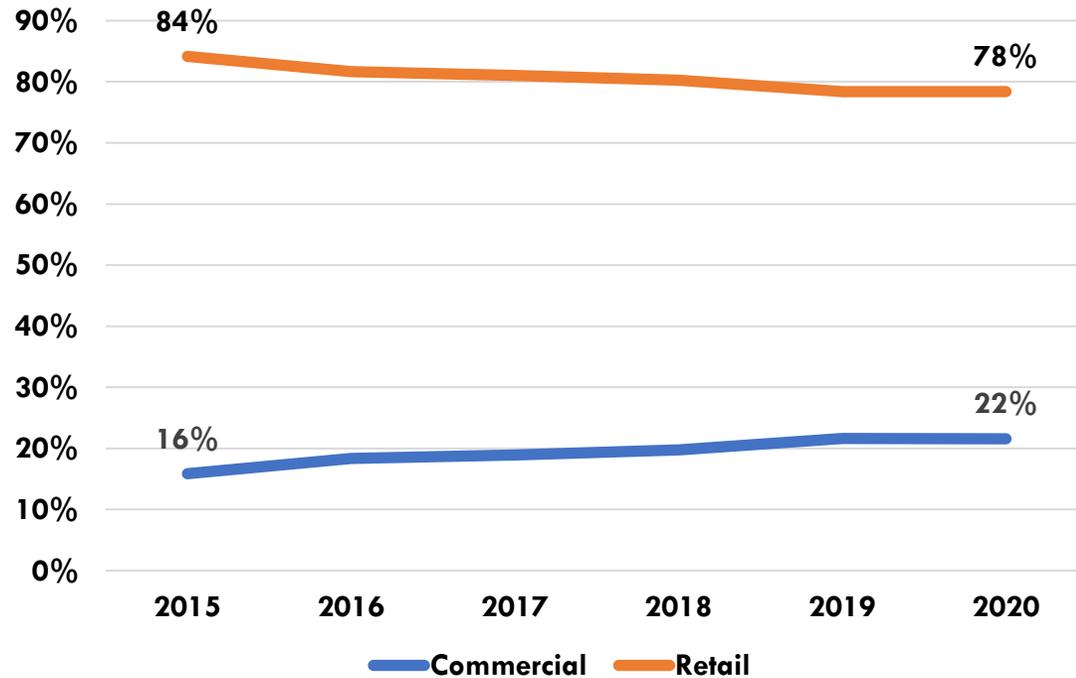
**Failure** – parts that are needed to be fully replaced because something has gone wrong with the car

**Maintenance** – Products that are somewhat specific to the make of the car.

**Discretionary** – Additive products that are purchased by customers to help enhance the aesthetics of the interior and exterior of the vehicle

# Revenue By Customer Base

### Sales by Customer Base as a % of Total Revenue



**Retail (DIY)** – Customer comes into the store to get the part needed to fix their own car issues.

**Commercial (DIFM)** – Distribute automotive parts to a mechanic or repair garage



# Management



**Pitt Hyde, 78**  
Founder of AutoZone



**Jamere Jackson, 51**  
Chief Financial Officer and  
Executive Vice President—Finance  
and Store Development



**William C. Rhodes, 55**  
Chairman, President, and Chief  
Executive Officer (March 2005)  
- Executive Vice President of Store  
Operations and Commercial



**Mark Finestone, 59**  
Executive Vice President—  
Merchandising, Supply Chain  
and Marketing (2015)  
- Senior VP of Merchandising



**William T. Giles, 61**  
Chief Financial Officer and  
Executive Vice President – Finance,  
Information Technology and  
Store Development (May 2006)



**Thomas B. Newbern, 58**  
Executive Vice President of  
Store Operations, Commercial,  
Loss Prevention, and ALLDATA  
(2017)



# Economic Moat

## Intangible Assets

- Long trusted provider of vehicle components
- Deepen the Engagement

## Cost Advantages

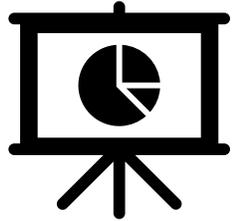
- Distribution System
- Maximize inventory turnover

## Auto Parts Are a Need

- Can rent specialized tools for single use
- Some failures simply cannot wait



# Competitive Risk Factors



## **Market Fragmentation in Commercial Segment:**

Autozone only holds about 4% of the total market share in the commercial segment, which is more fragmented than their retail segment, but is growing at a faster rate

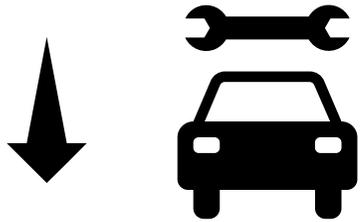


**Entrance of E-commerce Players:** Although online competitors cannot provide the in-store expertise and expedited delivery of parts, they are starting to compete for market share in the DIY segment



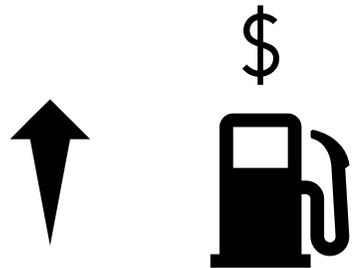
**Discounted Prices from Multi-purpose stores:** Stores like Walmart have invested heavily in their prices to drive sales for maintenance items such as oil and windshield fluid.

# Industry Risk Factors



## **Lower Number of Miles Driven = Less Maintenance and Failures:**

With people working from home and less people commuting, the number of miles driven on average has gone down during the pandemic.



**Potential increase of oil prices:** People defer driving more miles, income used for replacement parts gets deferred to more critical expenses, higher likelihood of switching to newer and more fuel-efficient cars.



**Economy:** Expansionary Economic Environment = Fewer DIY sales and more new vehicle purchases. This means that Autozone will receive less revenue from car failures and vehicle maintenance.



## Technological Advances and Electronification of Cars:

Electric cars and trucks feature fewer moving parts, but this is a continuation of a decades-long trend toward vehicles that fail less often but are more expensive to repair, a dynamic that retailers have successfully managed for years.



## Weather:

Mild conditions = fewer failures

Periods of high precipitation = deferred maintenance

Periods of extreme weather = more failures and maintenance

# Growth Opportunities

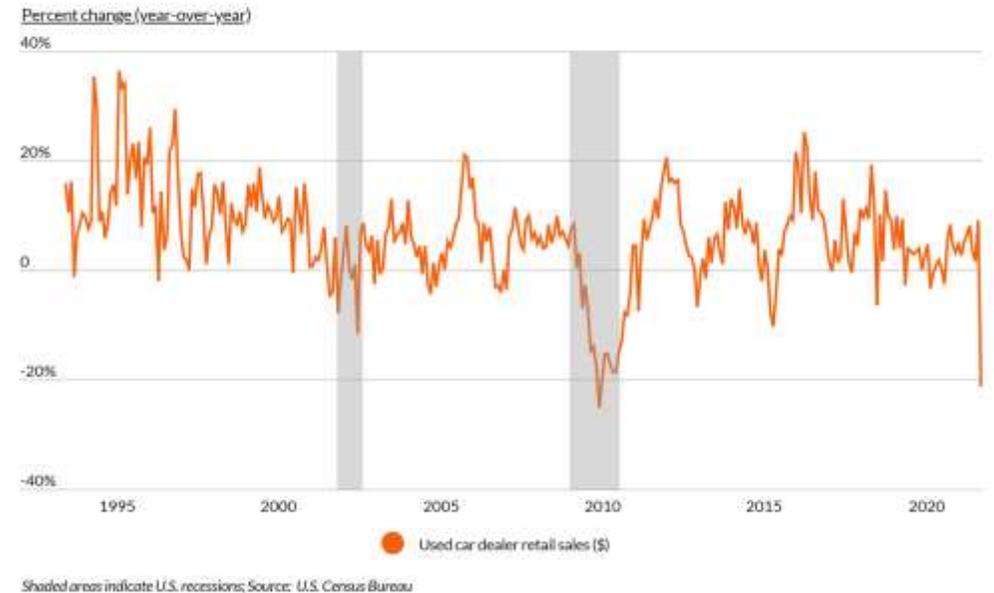


## Average Age of Vehicles:

The average age of vehicles is currently going up with people deferring car purchases and therefore maintaining their current vehicles.

“According to a leading industry research company, the average age of vehicles is going up and the average age of vehicles in the range of 6-11 years is expected to expand.”

## Used car sales fell sharply in response to COVID-19



# Growth Opportunities



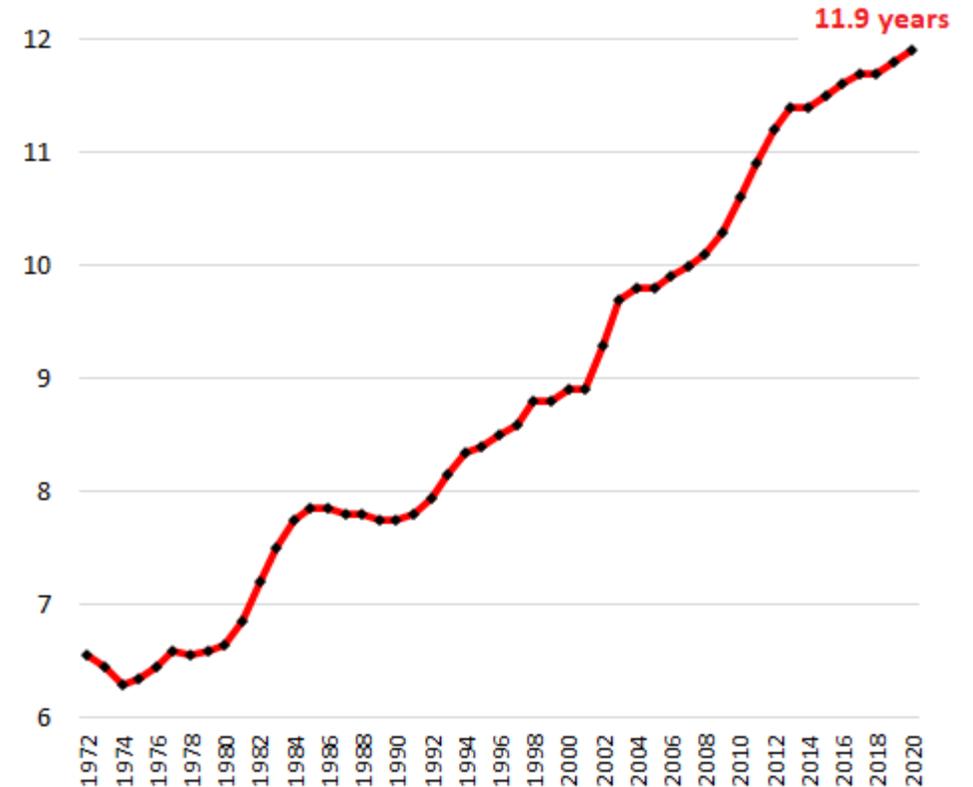
## Aging Vehicles Continued:

11.9 - average age of vehicle on the road

9 - the number of years the average age of vehicles has remaining over eleven.

AutoZone Management - "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."

Average Age of Cars & Light Trucks in Operation



Sources: US BTS, IHS Markit

WOLFSTREET.com

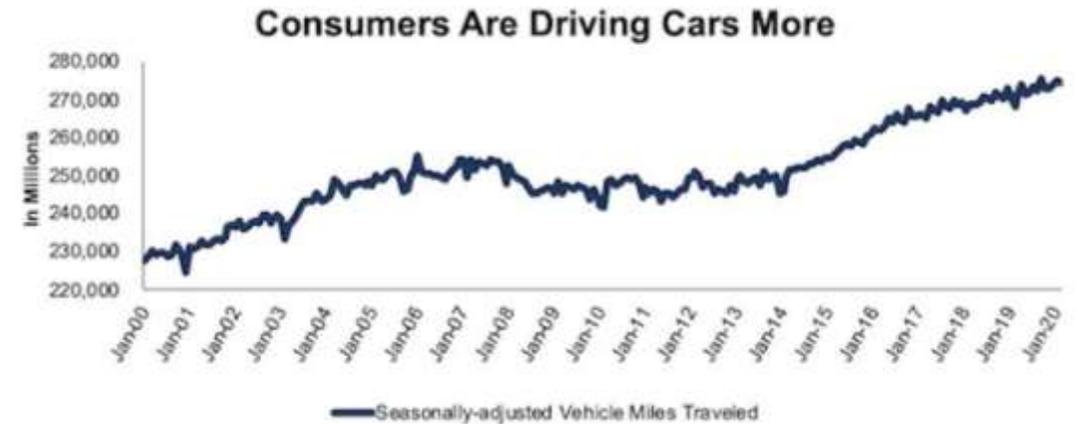
# Growth Opportunities

## Miles Driven

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.

“When you think about the miles driven that have declined, it's generally higher socioeconomic groups that are working from home. Our core customers, they haven't worked at home just like our store AutoZoners and DC AutoZoners. They haven't worked at home a day. So I don't think all miles driven are the same”.

-Autozone Management”



Source: \*Forbes

# Growth Opportunities

## Lemons and Miles:

"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."

- AutoZone Management



# Growth Opportunities

## Low Oil Prices:

Low oil prices mean that more income is available to consumers to spend on maintaining and improving their car.

*“With approximately 12 billion gallons of unleaded gas consumption each month across the U.S., each \$1 decrease at the pump contributes approximately \$12 billion of additional spending capacity to consumers each month.”*

*-Autozone Management*

## U.S. Oil Price Collapses To Lowest Level Since 1999

Daily price per barrel of WTI crude oil (dollars per barrel)\*



\* West Texas Intermediate (a benchmark for U.S. crude oil prices)

Source: U.S. Energy Information Administration



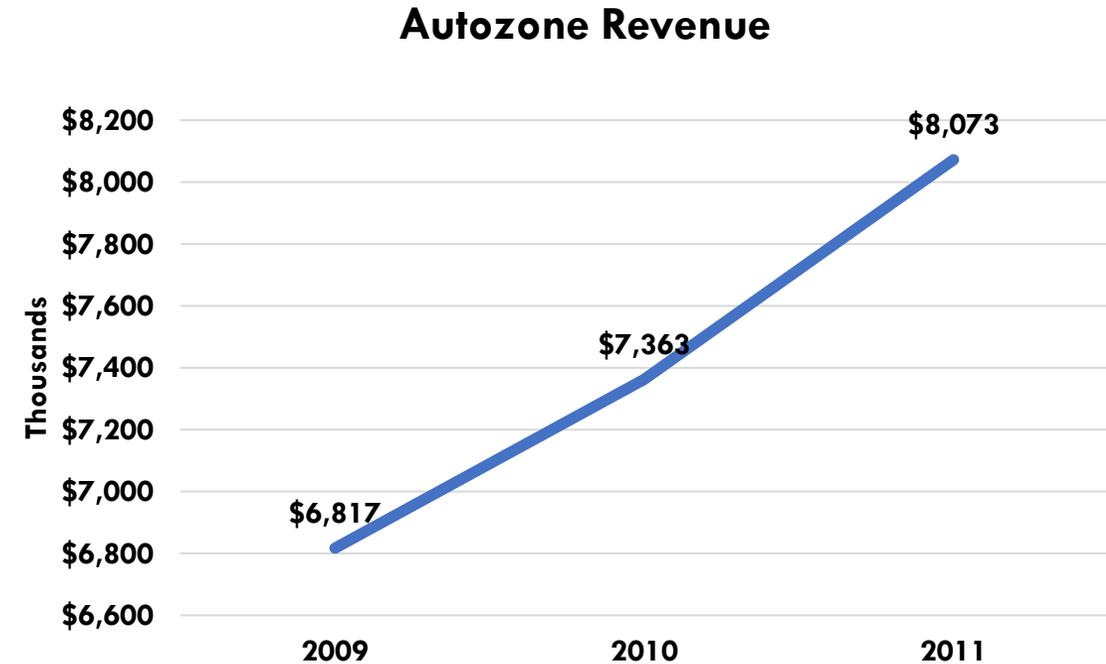
statista 

# Growth Opportunities

## Recessionary Environment:

During Recessionary periods, people are more likely to forgo paying for a new car and focus on maintaining their current vehicle in the cheapest way possible which benefits the company's DIY sales.

*AutoZone Reported, "The strongest periods we've experienced outside sales growth over the last three decades have been the early '90s; '01-'02; '09, '10 and '11, all coming out of recessionary periods."*



# Growth Opportunities

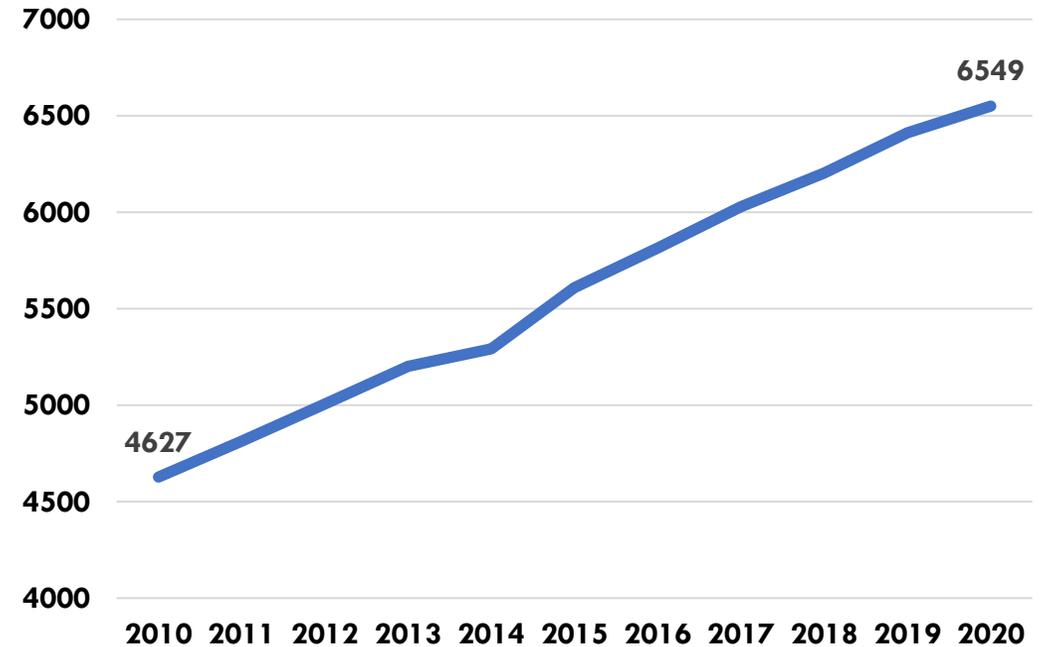
## New Stores:

The company has been able to consistently increase their store count for the past ten years.

Storefronts are only opened after customer buying trends are evaluated & market demand/needs are assessed.

"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."

Autozone Store Count



# Growth Opportunities

## International Markets :

The company has more international locations than any of their competitors including 621 stores in Mexico and 43 in Brazil.

A high amount of individuals take advantage of Autozone's DIY model since these countries have a high average age of vehicles

## Estimated Average Age of Vehicles in 2020



**13.50 years**



**11.93 years**

Sources: \*Researchgate.net \*Statista.com

# Growth Opportunities



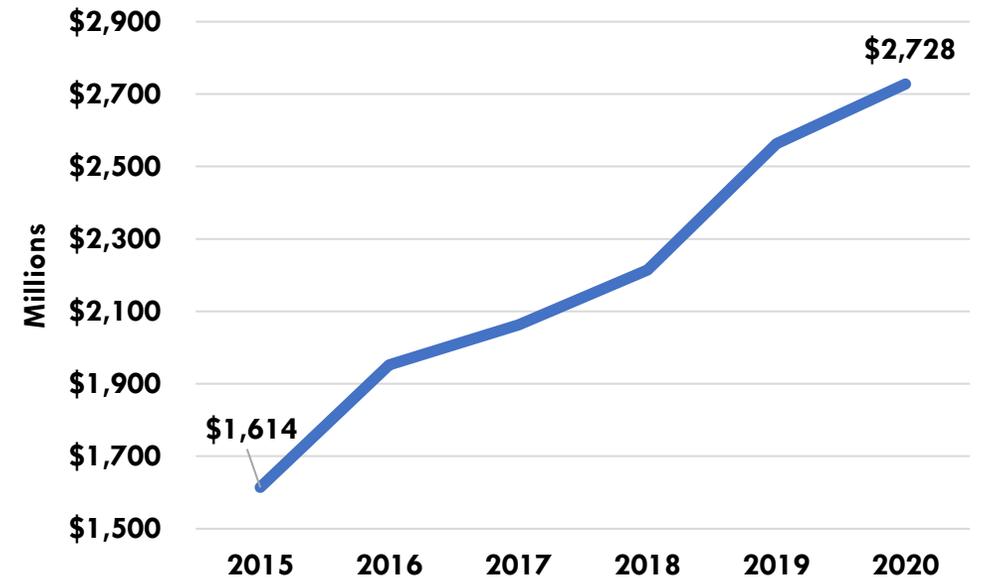
## Expansion into DIFM/Commercial Segment

The current DIFM market is fragmented and currently only 22% of total revenue.

AutoZone has expanded commercial programs to 85% of domestic stores.

This segment has seen double-digit growth in past three years and shows significant potential for future growth.

Autozone Commercial Sales



## Additional Growth Factors to Consider:

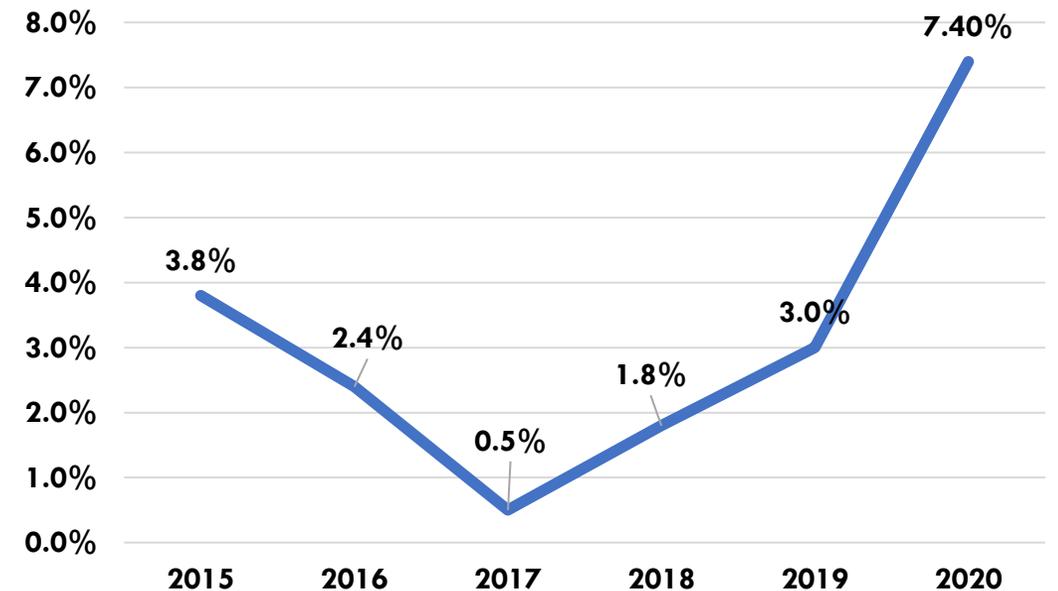
### Company Image

"We believe our continued strong sales growth is driven in significant part by our brand name."

### Increase in Same Store Sales

Management stressed the importance of having WHAT the consumer wants WHEN the consumer wants. Management is aware of the importance of having the right inventory always available and they are striving to improve this.

Same Store Sales Growth





## ALLDATA:

Online platform for automotive original manufacturing equipment information.

Dummy Summary: It's a giant auto repair manual moved online.

Anyone can use it, consumers, vehicle manufacturers, and technicians.

**1996** - AutoZone acquires ALLDATA for \$56.8M.

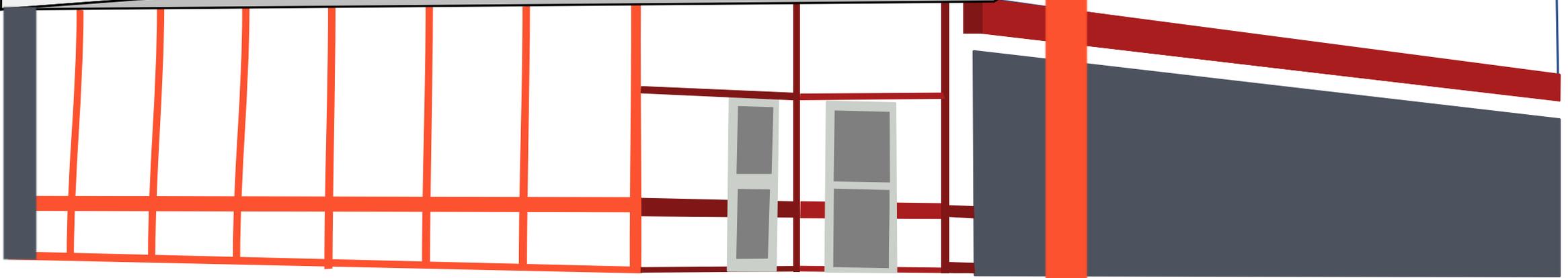
ALLDATA is the leading provider of original equipment manufacturer (OEM) automotive repair information and solutions.

**2012** - AutoZone acquires Auto-Anything for \$115M.

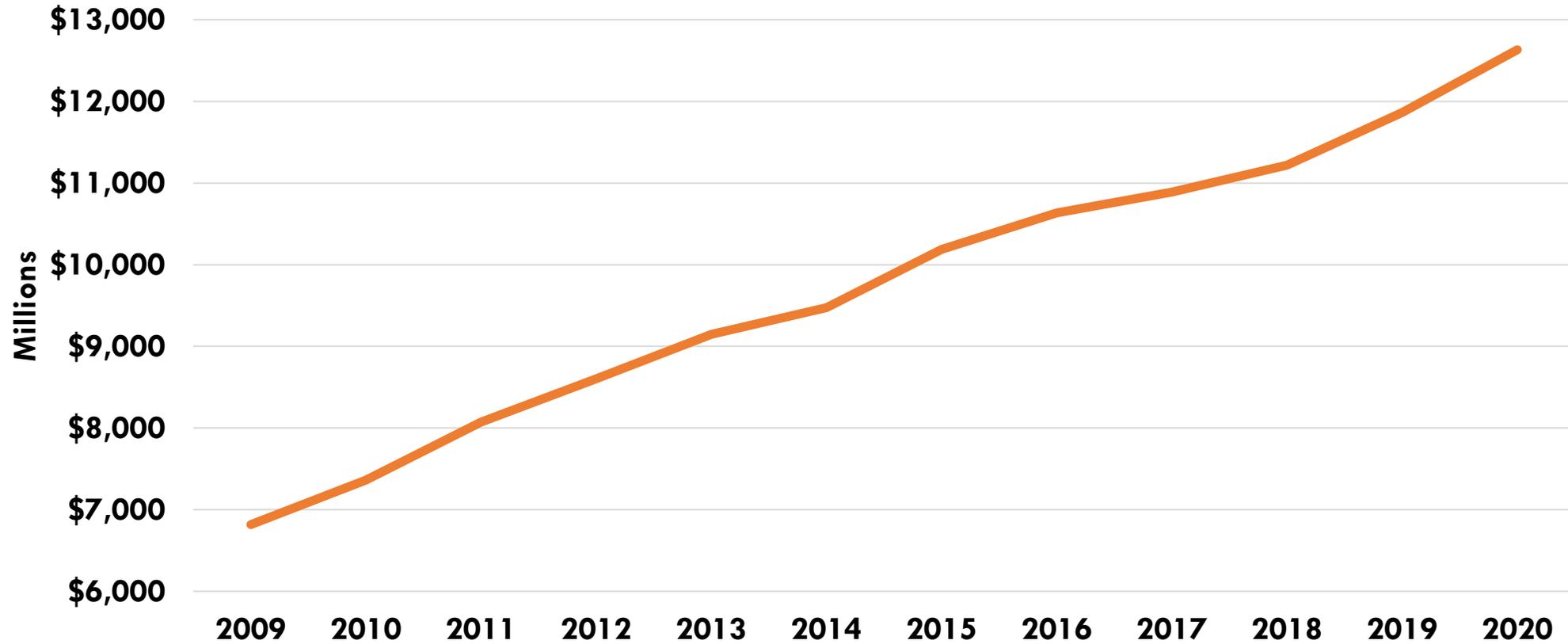
Auto-Anything is an online retailer of specialized automotive products. (Sold in 2018, immaterial business segment, terms of deal were not disclosed.)

Overall, AutoZone minimizes business acquisitions and focuses on their existing business segments.

# Interpretation of Financial Statements

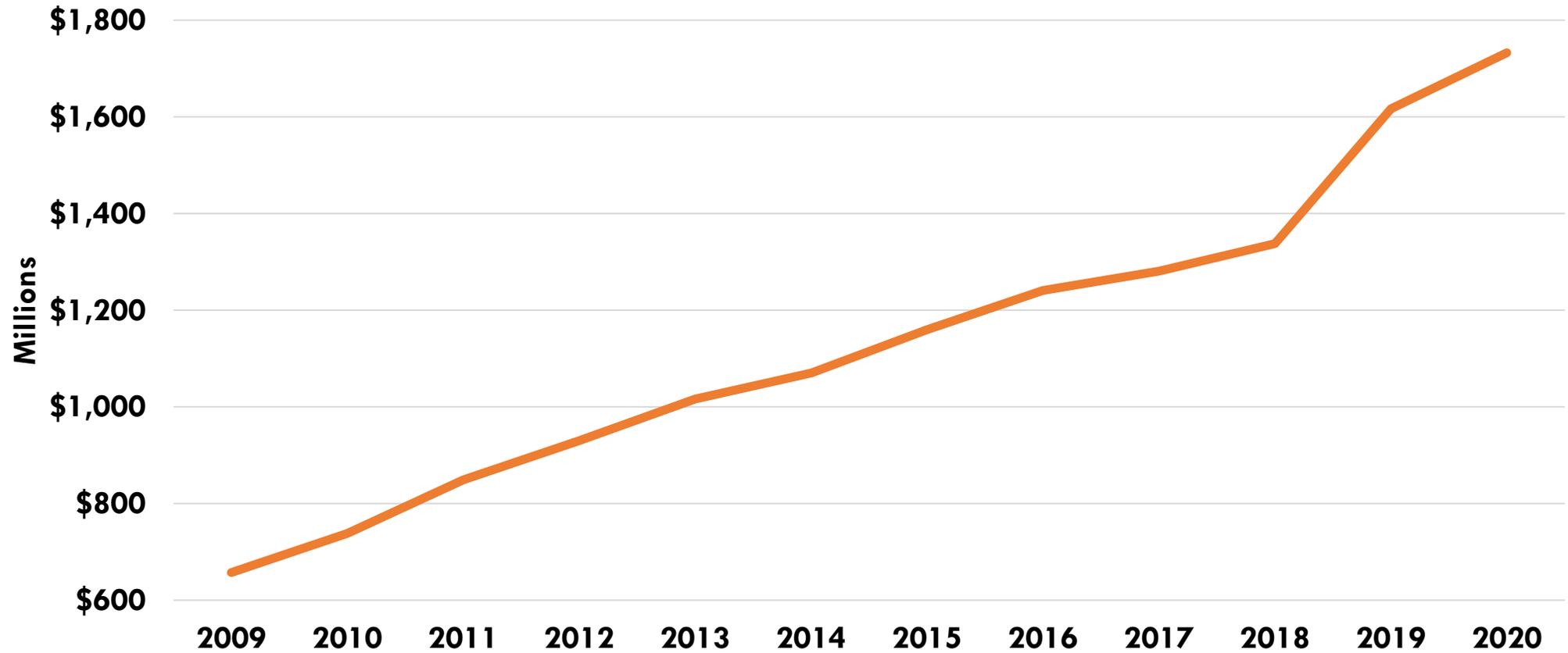


# Revenue



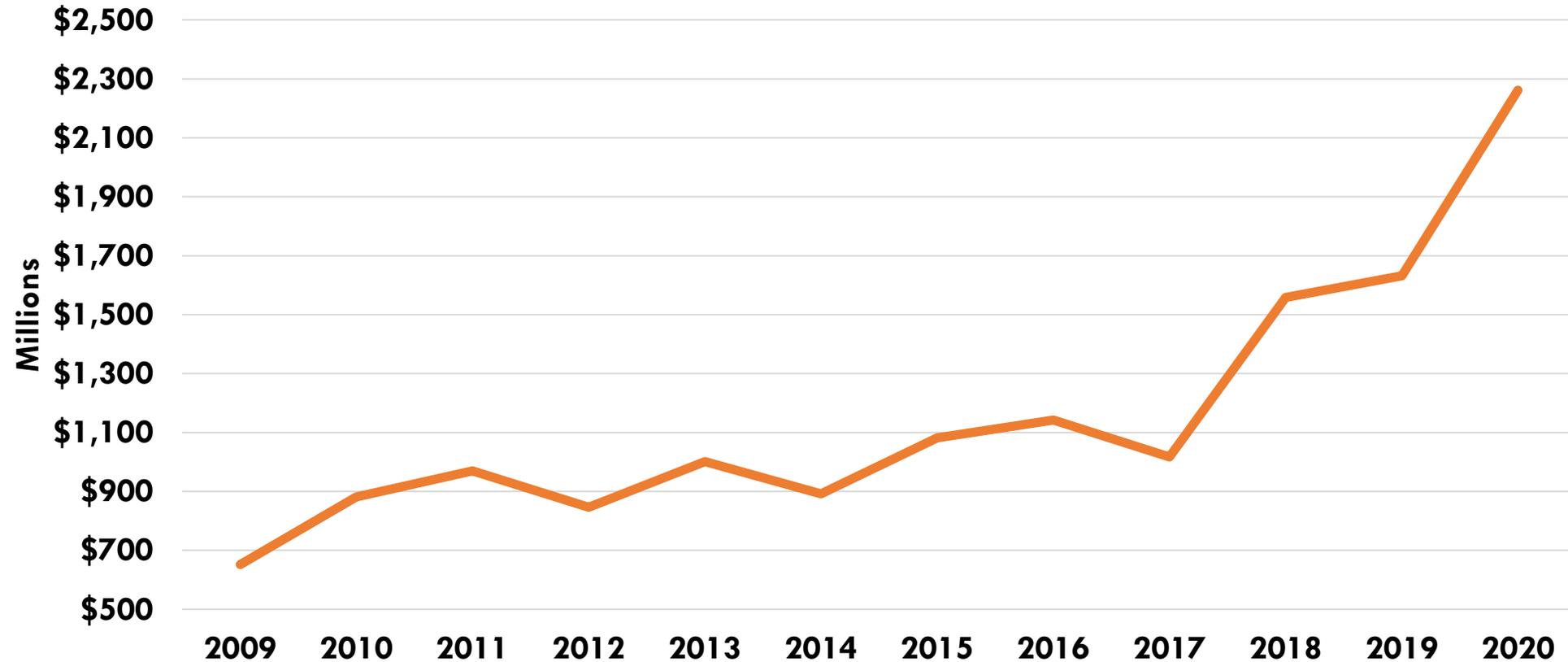
CAGR	10-year	5-year	1-year
Revenue	5.55%	4.40%	6.47%
Sales Per Share	13.8%	10.62%	12.66%

# Net Income



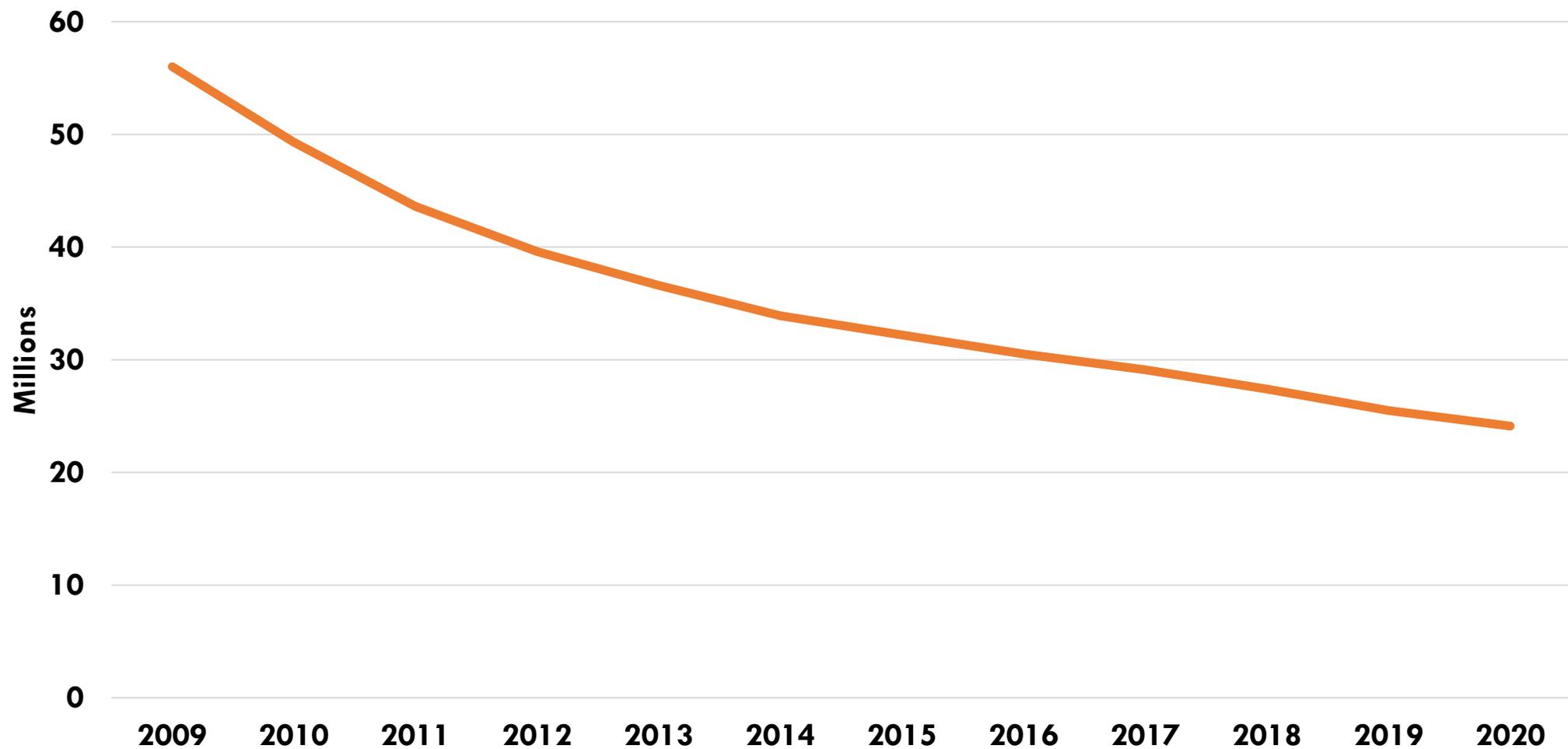
CAGR	10-year	5-year	1-year
<b>Net Income</b>	8.91%	8.36%	29.52%
<b>Earnings Per Share</b>	16.99%	14.82%	13.40%

# Free Cash Flow

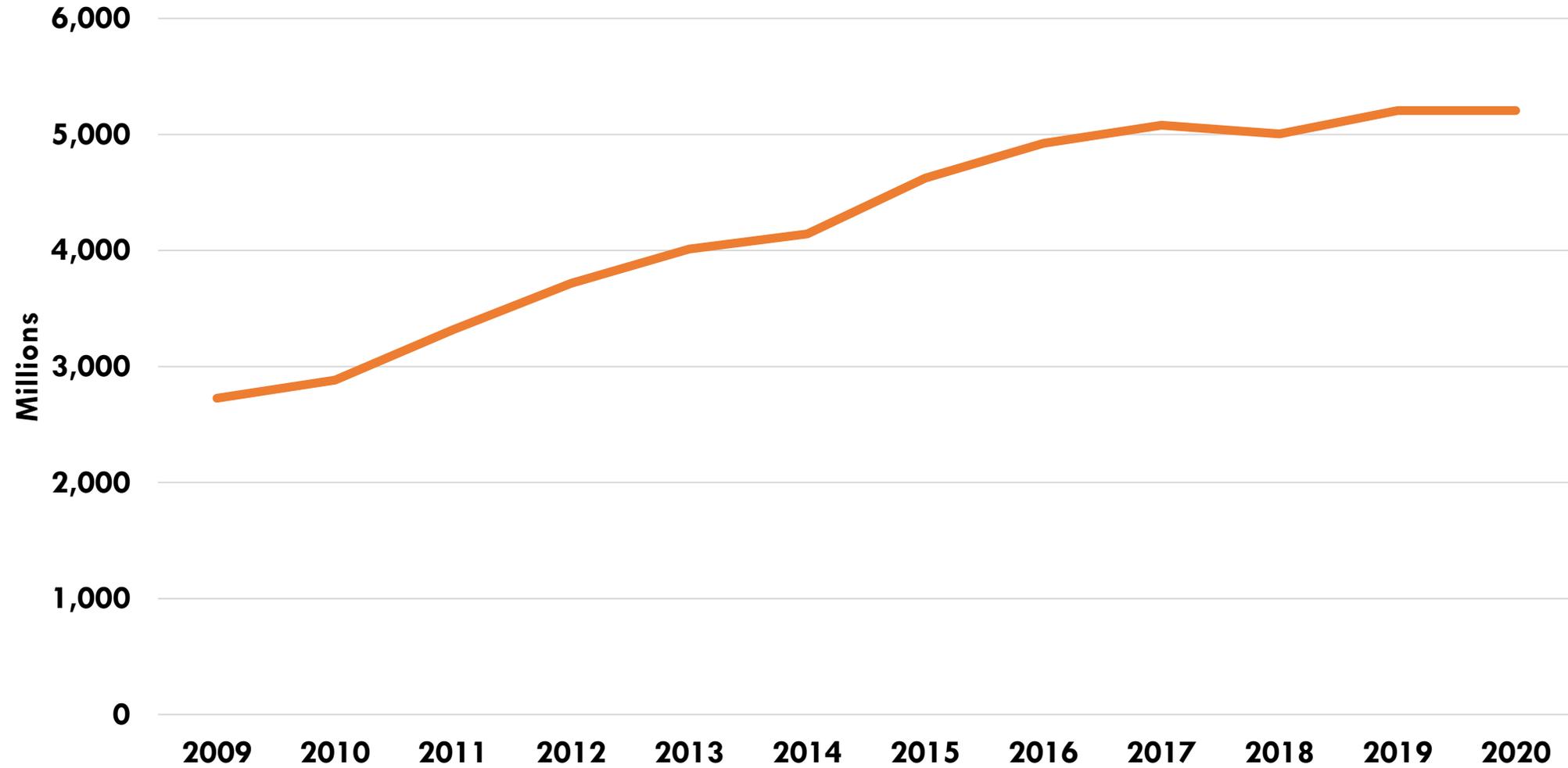


CAGR	10-year	5-year	1-year
<b>Free Cash Flow</b>	9.89%	15.89%	38.60%
<b>FCF per Share</b>	18.04%	22.84%	46.65%

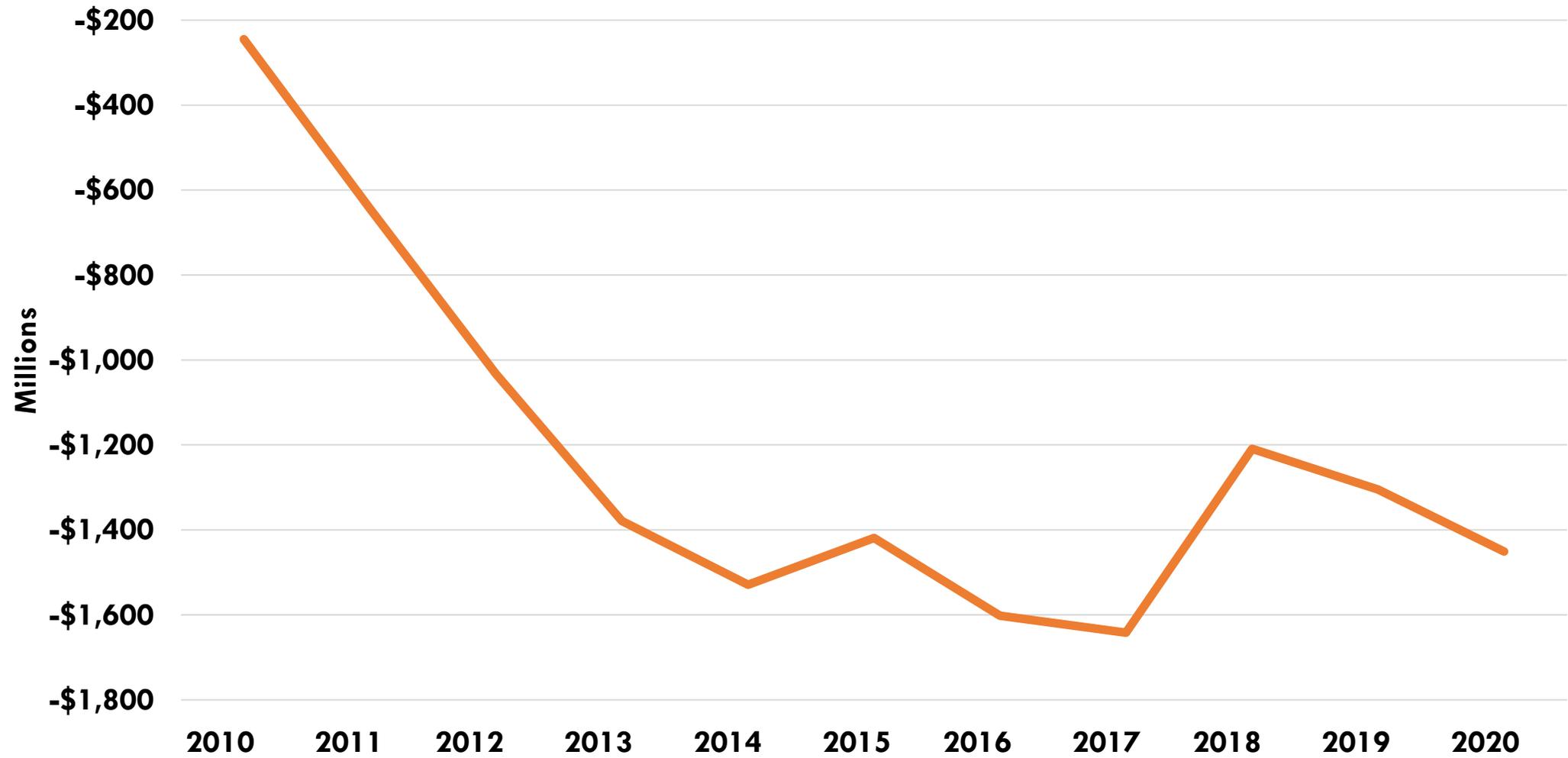
# Shares Outstanding



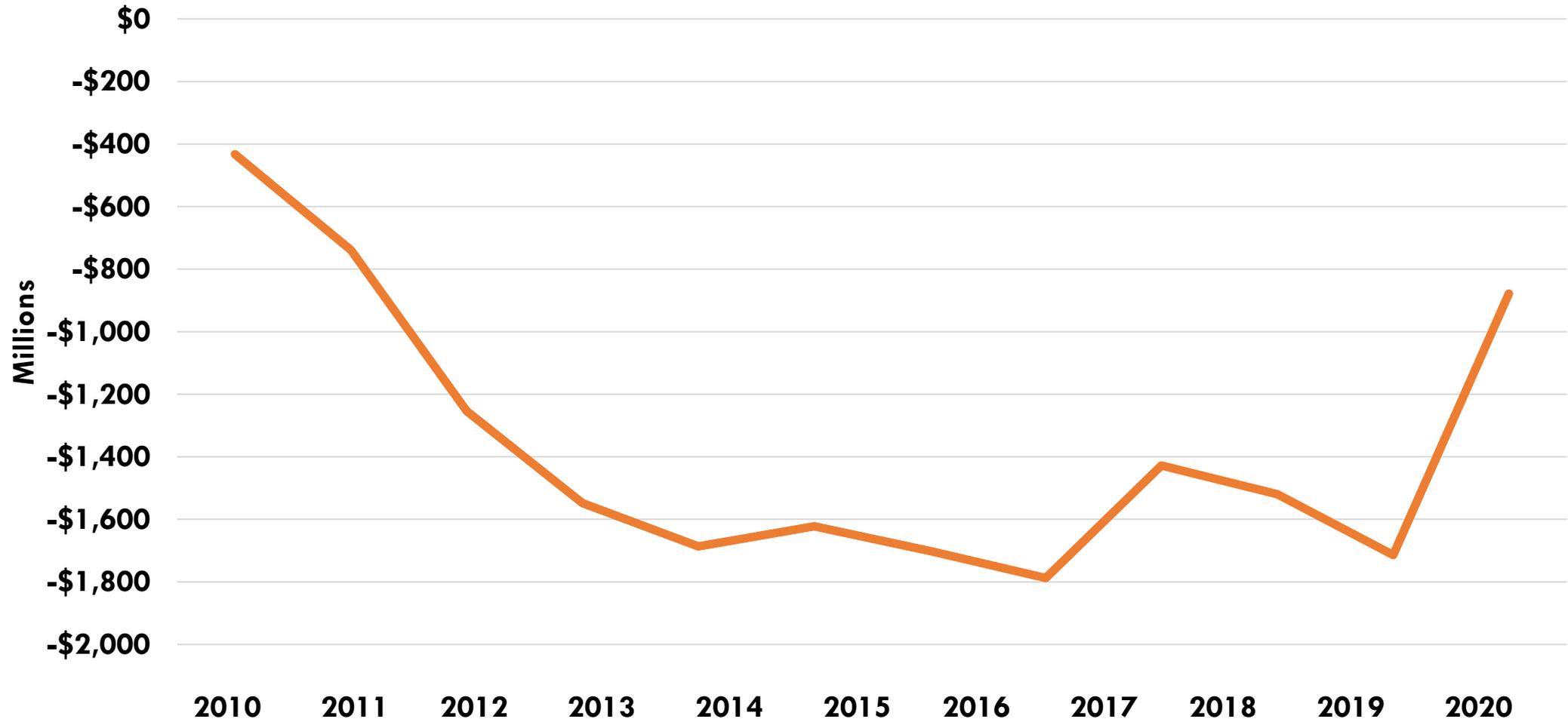
# Long-Term Debt



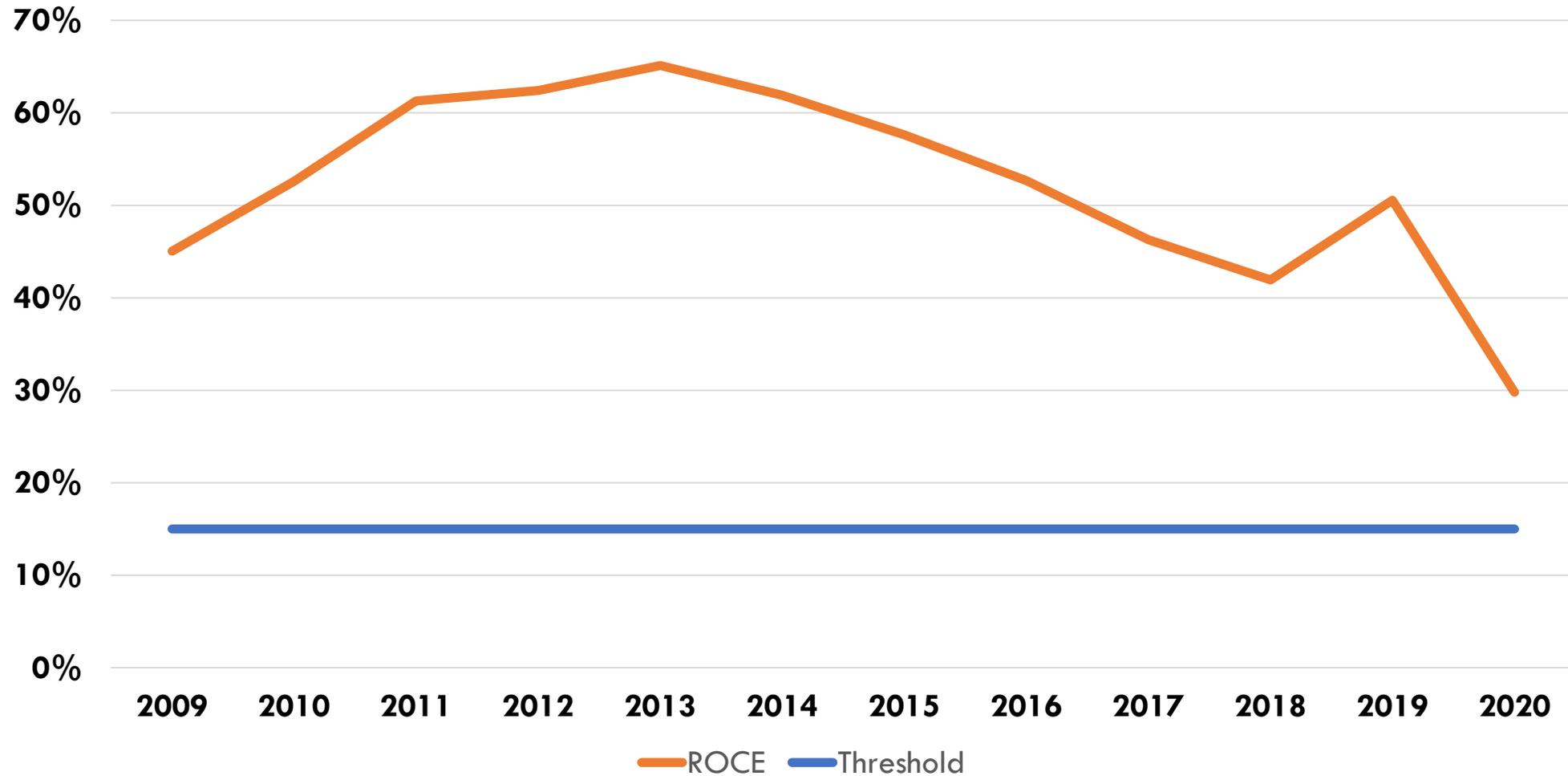
# Retained Earnings



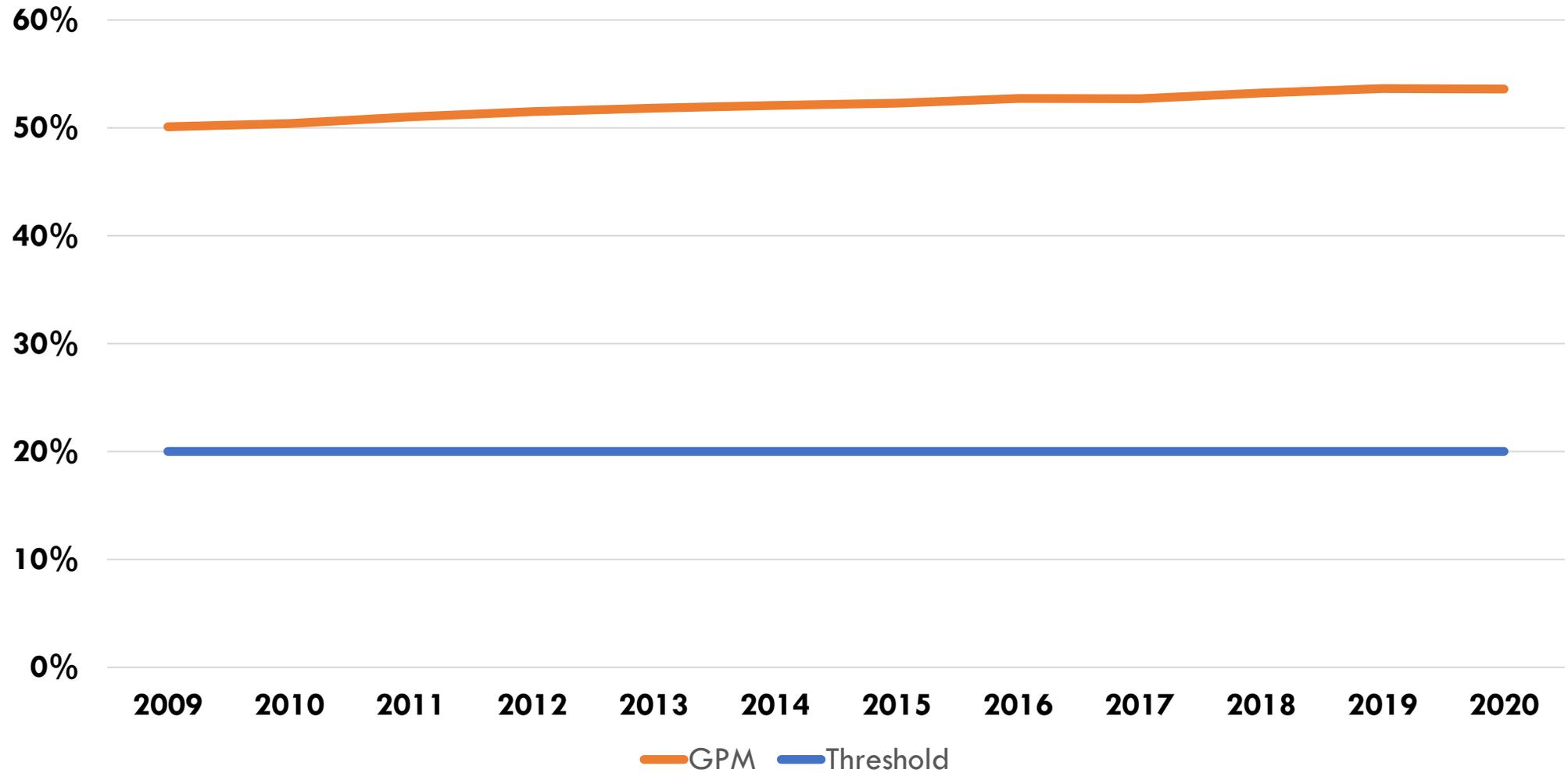
# Shareholder's Equity



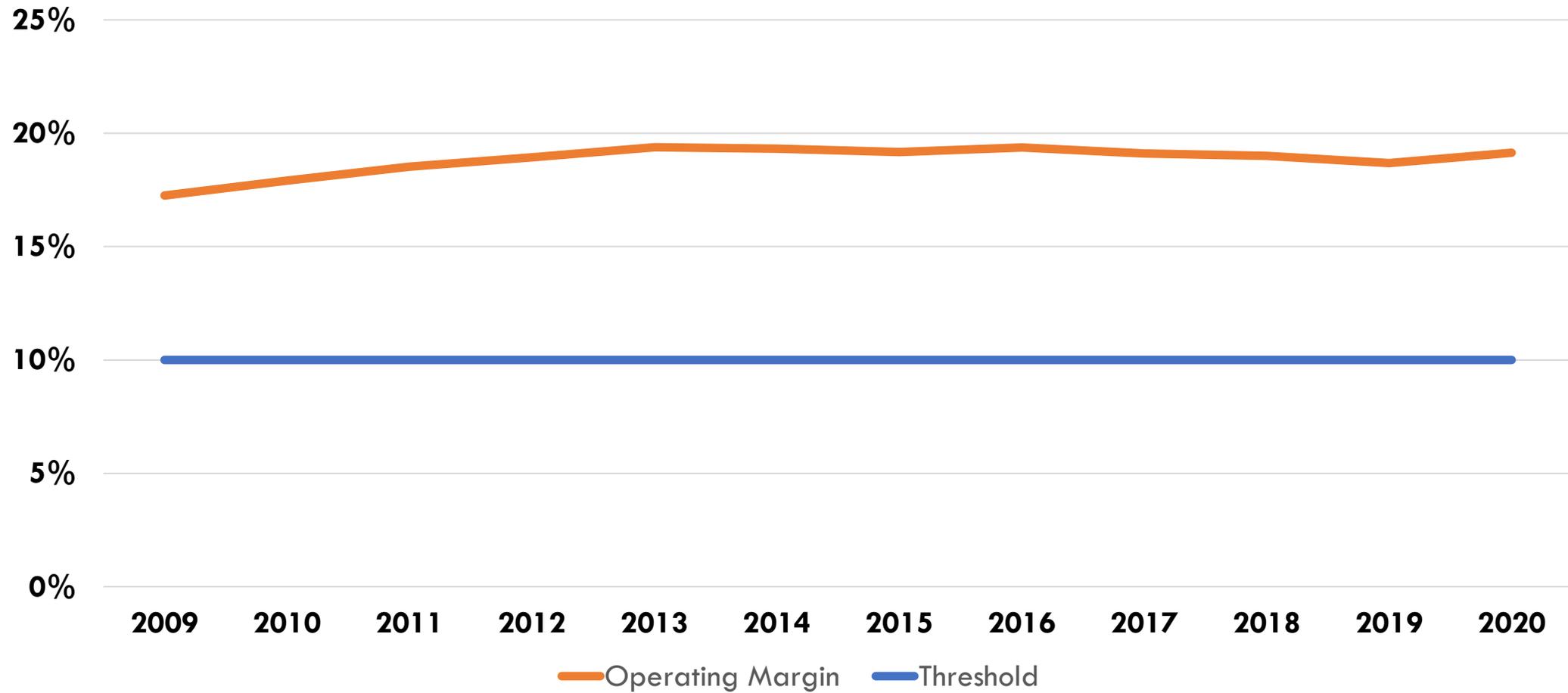
# Return on Capital Employed



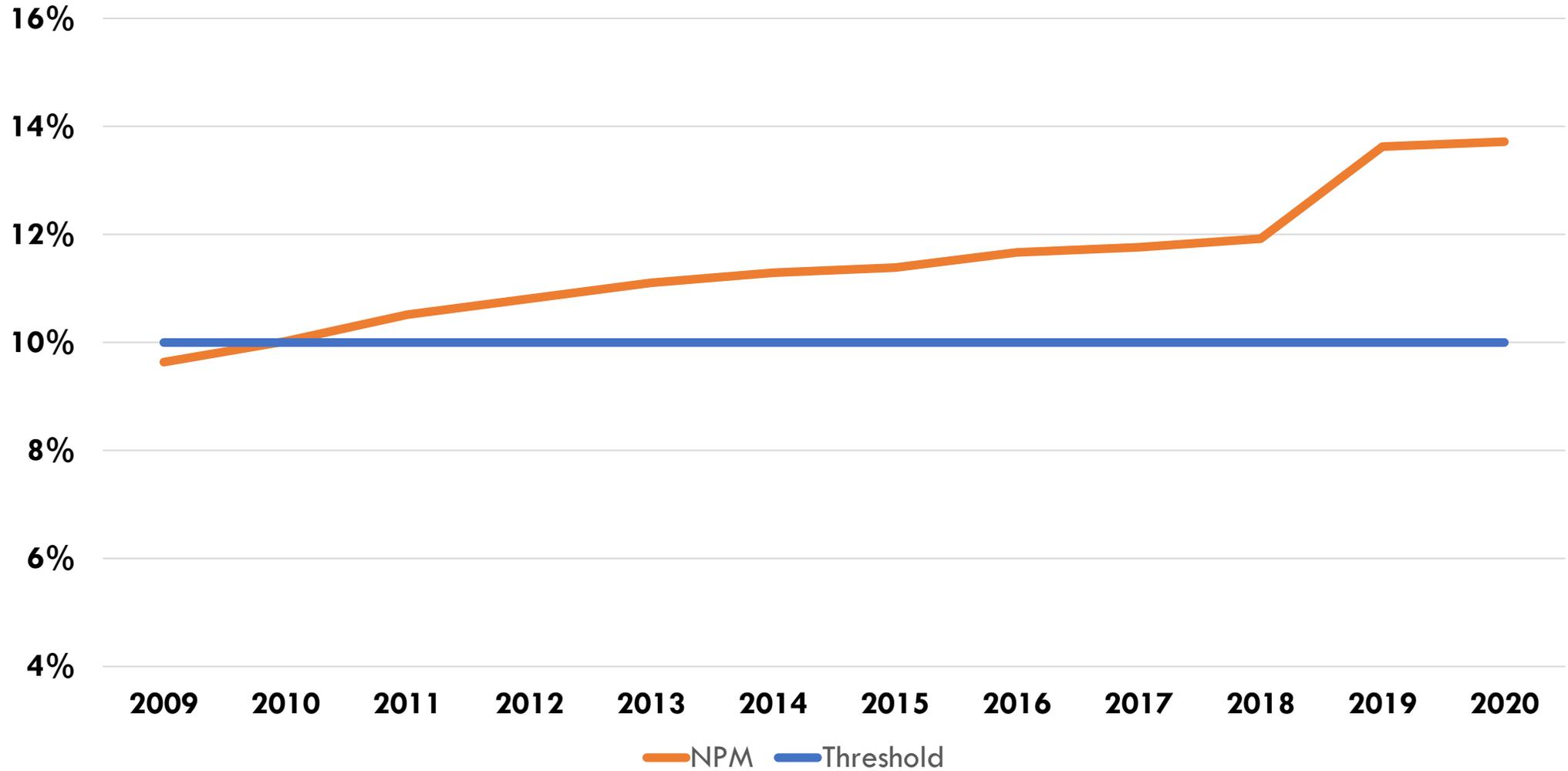
# Gross Profit Margin



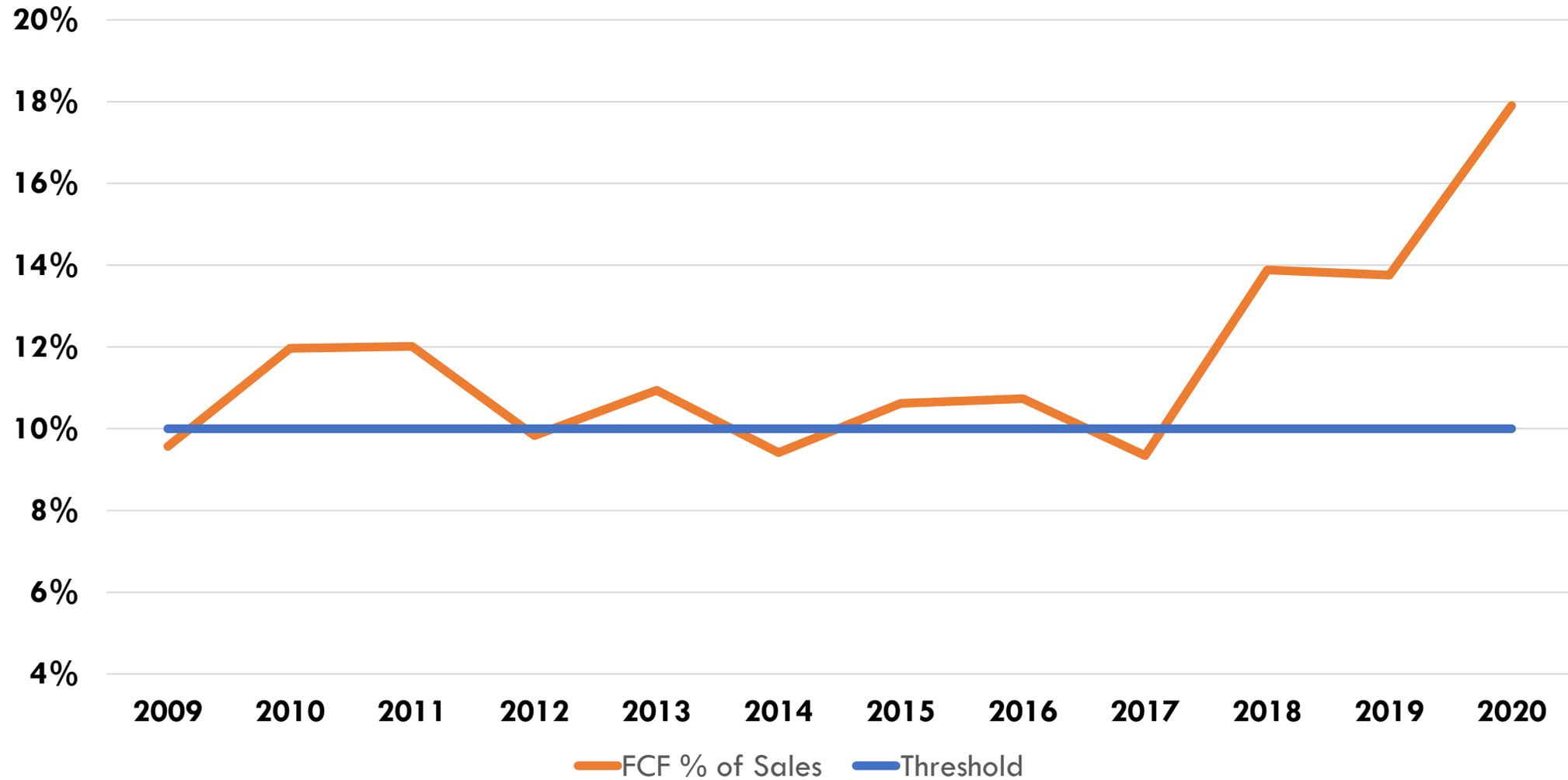
# Operating Margin



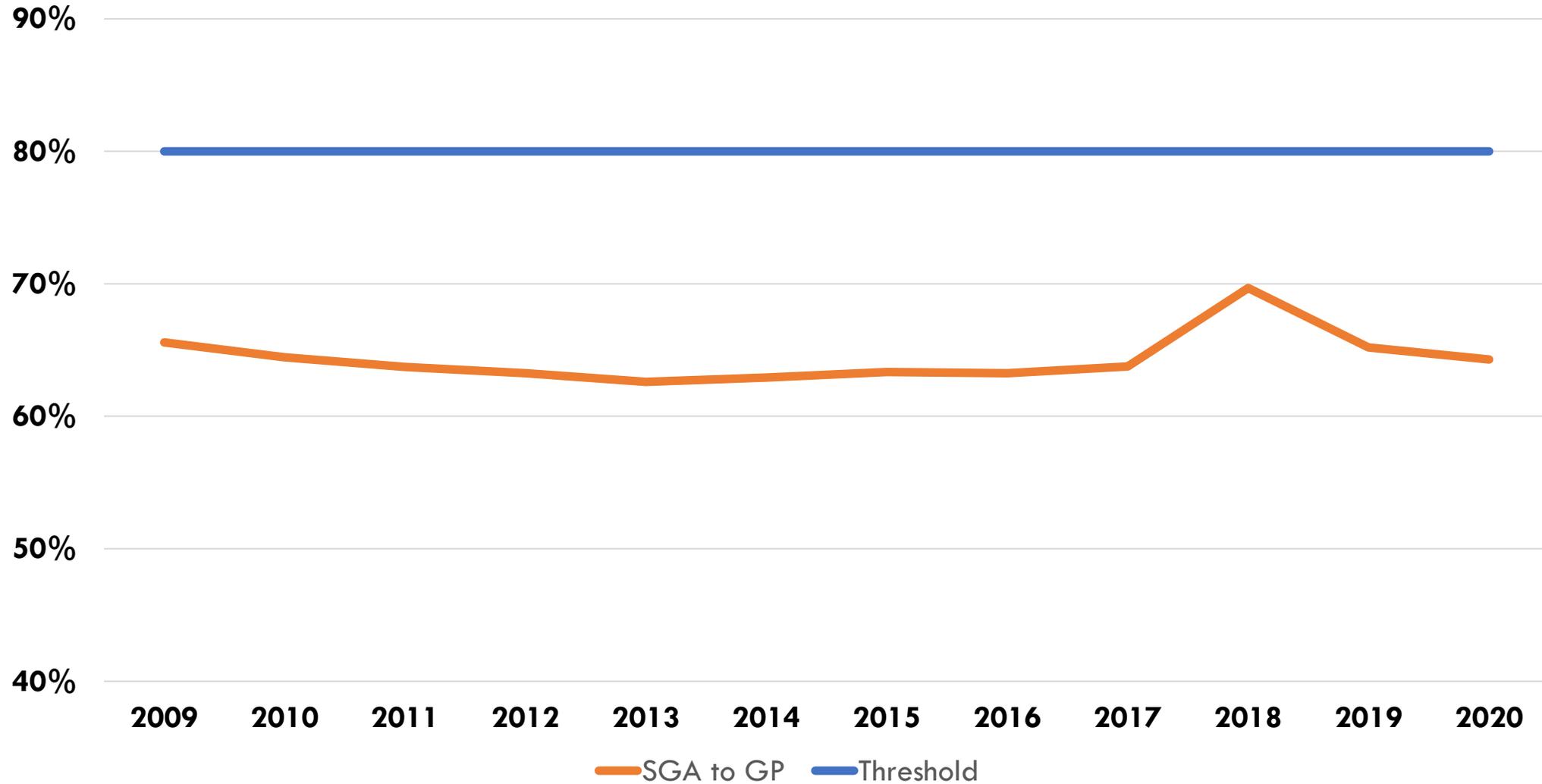
# Net Margin



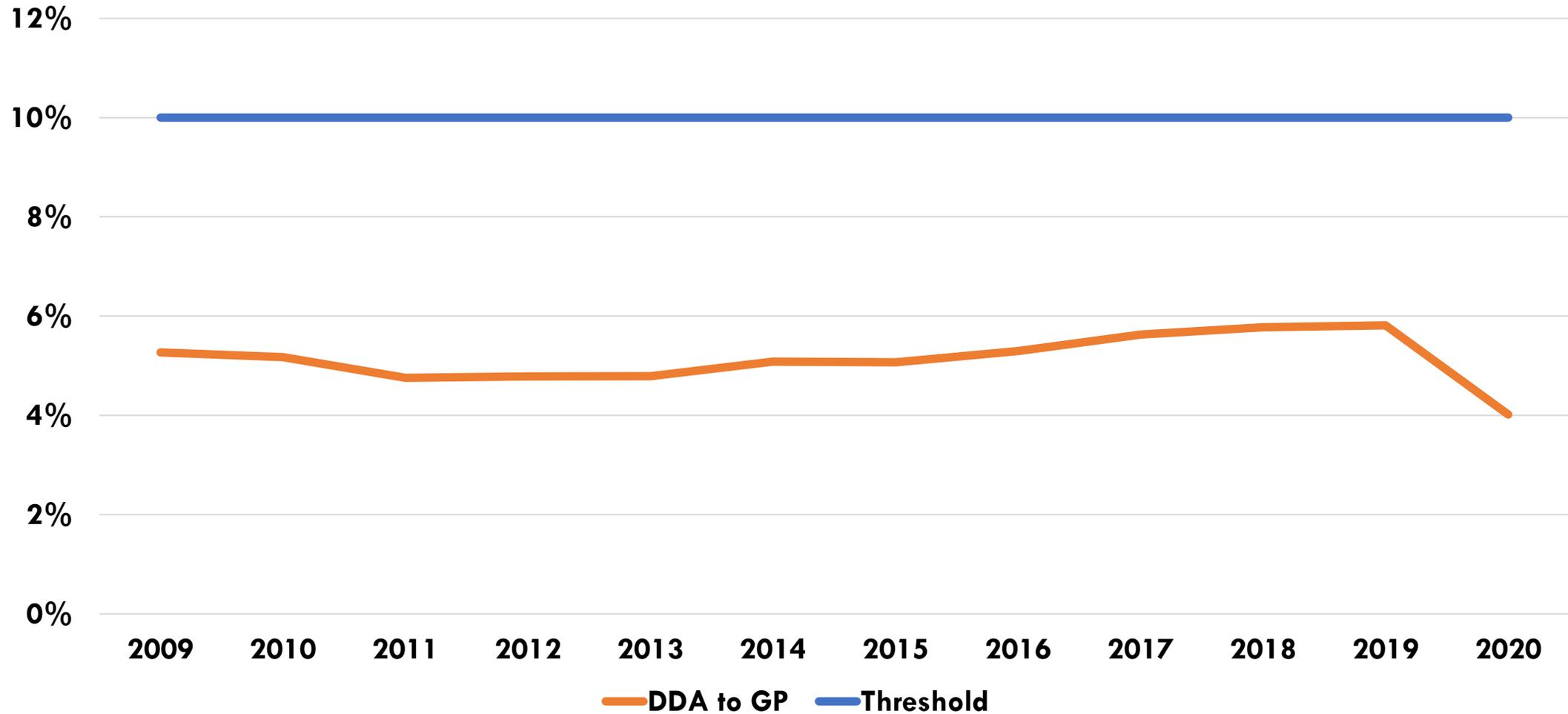
# Free Cash Flow Margin



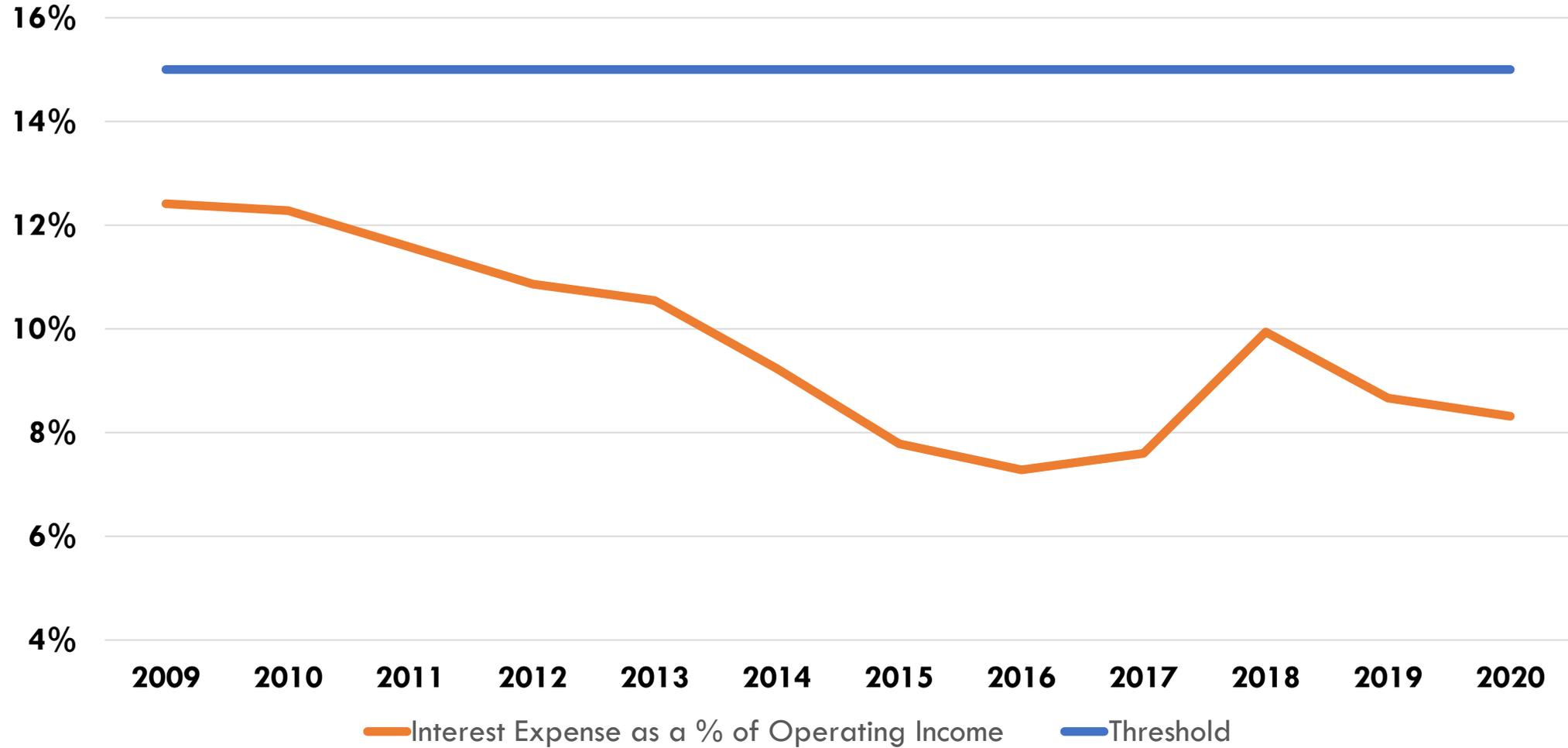
# SG&A. Expenses to Gross Profit



# DD&A Expenses to Gross Profit



# Interest Expense to Operating Income



# Debt Recognition



# Obligation Ratio

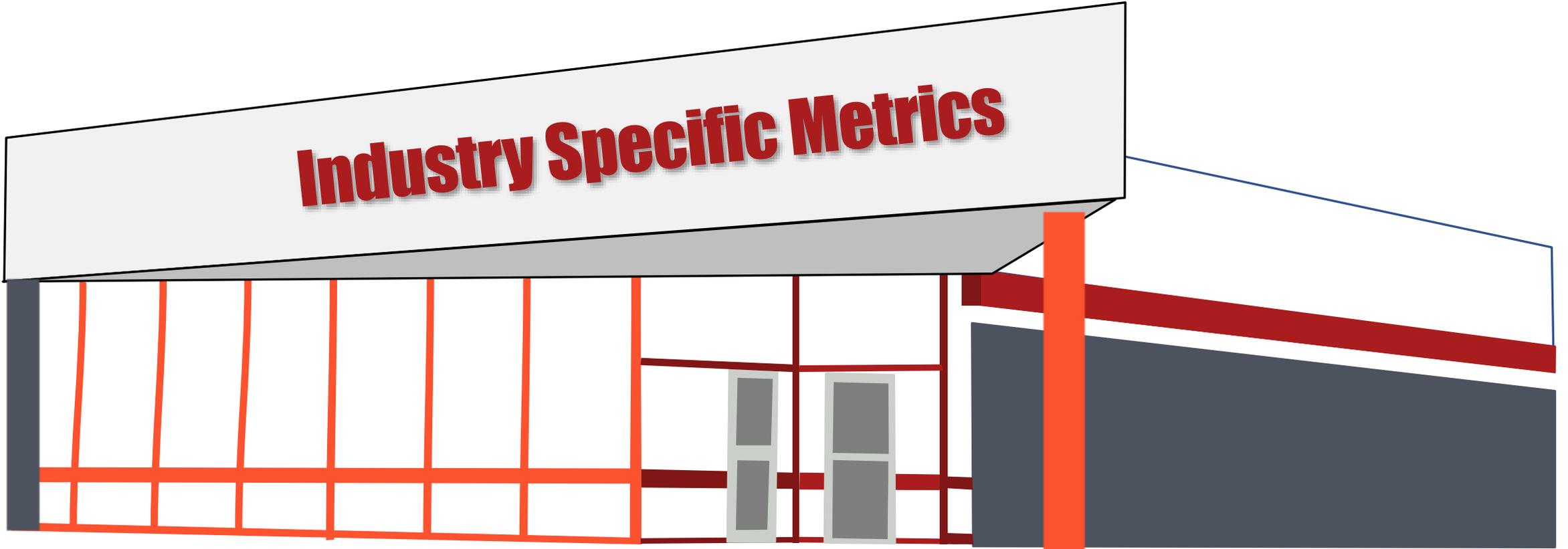
<b>Long-term Debt</b>	<b>\$5,200 (Millions)</b>
Short-term Debt	\$250
Leases * 7	\$2,205
Pension Shortfall	\$0
Preferred Stock	\$0
Cash Assets	-\$1,731
Net Income	\$1,733
Obligation Ratio	<b>3.41 years</b>

# Debt Maturities Schedule

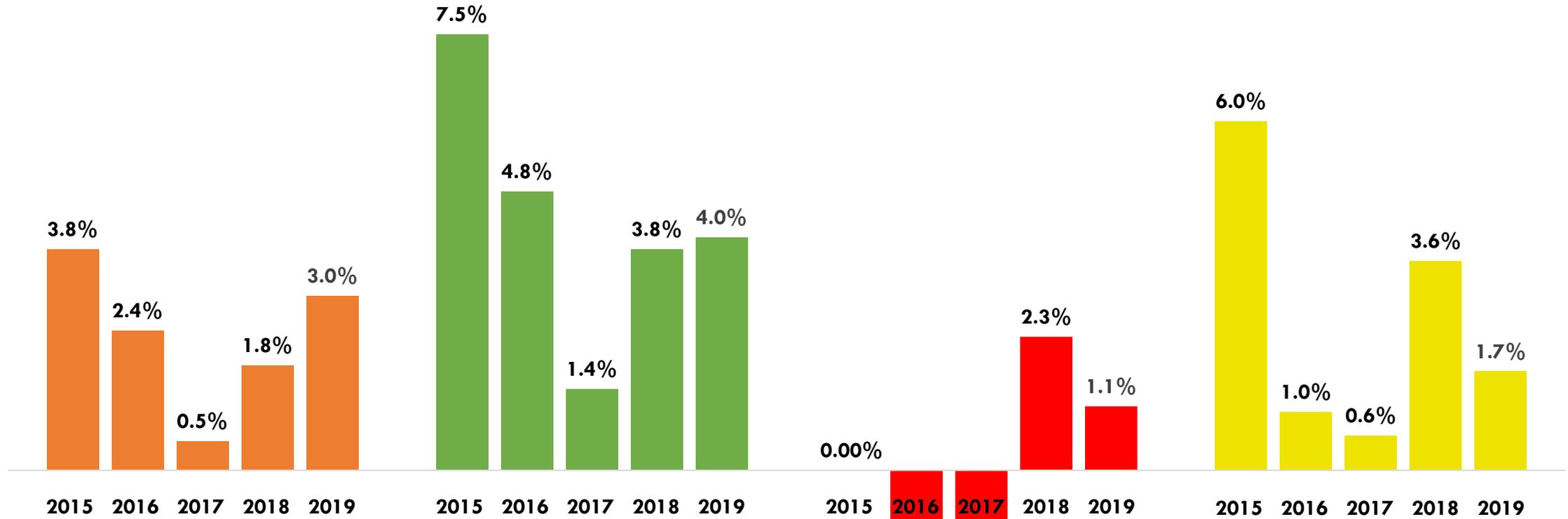


<i>(in thousands)</i>	Total Contractual Obligations	Payment Due by Period			
		Less than 1 year	Between 1-3 years	Between 3-5 years	Over 5 years
Debt <sup>(1)</sup> .....	\$ 5,550,000	\$ 250,000	\$ 1,300,000	\$ 1,200,000	\$ 2,800,000
Interest payments <sup>(2)</sup> .....	1,093,138	181,275	327,238	255,175	329,450
Operating leases <sup>(3)</sup> .....	3,534,369	302,890	632,719	543,395	2,055,365
Finance leases <sup>(4)</sup> .....	251,380	69,013	102,565	35,037	44,765
Self-insurance reserves <sup>(5)</sup> .....	249,273	87,209	85,529	36,532	40,003
Construction commitments .....	50,863	50,863	—	—	—
	<u>\$ 10,729,023</u>	<u>\$ 941,250</u>	<u>\$ 2,448,051</u>	<u>\$ 2,070,139</u>	<u>\$ 5,269,583</u>

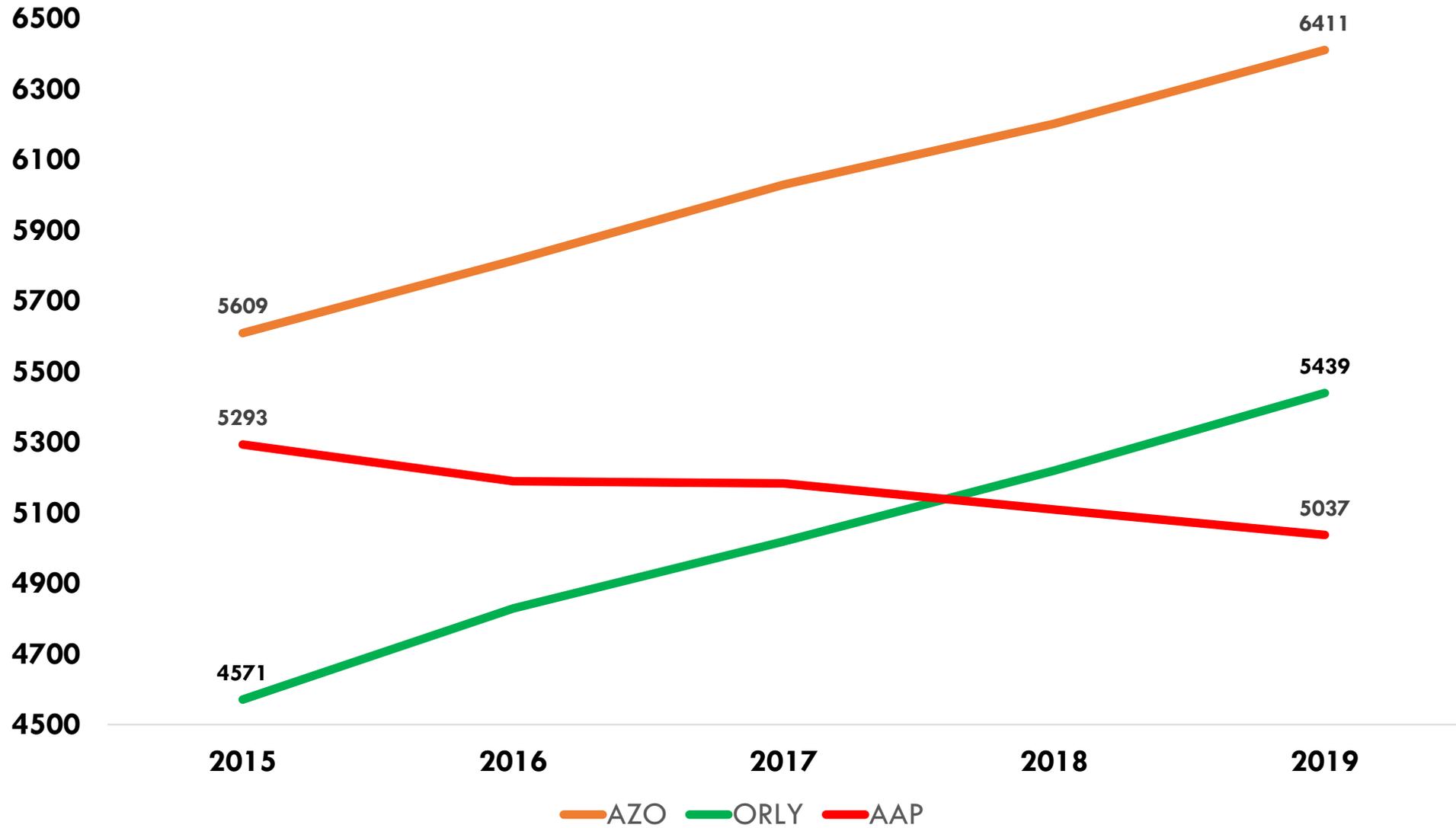
# Industry Specific Metrics



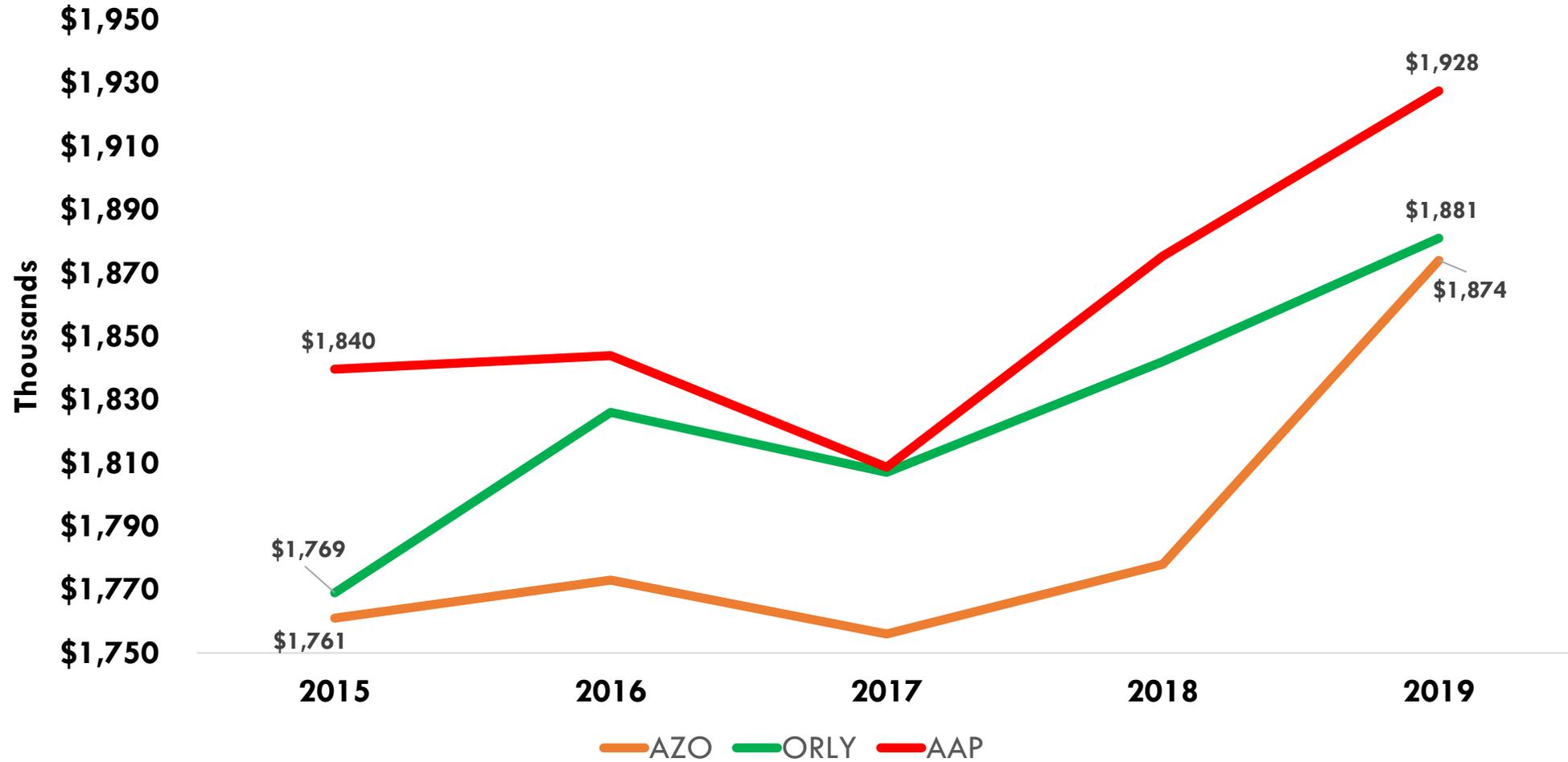
# Same Store Sales Growth



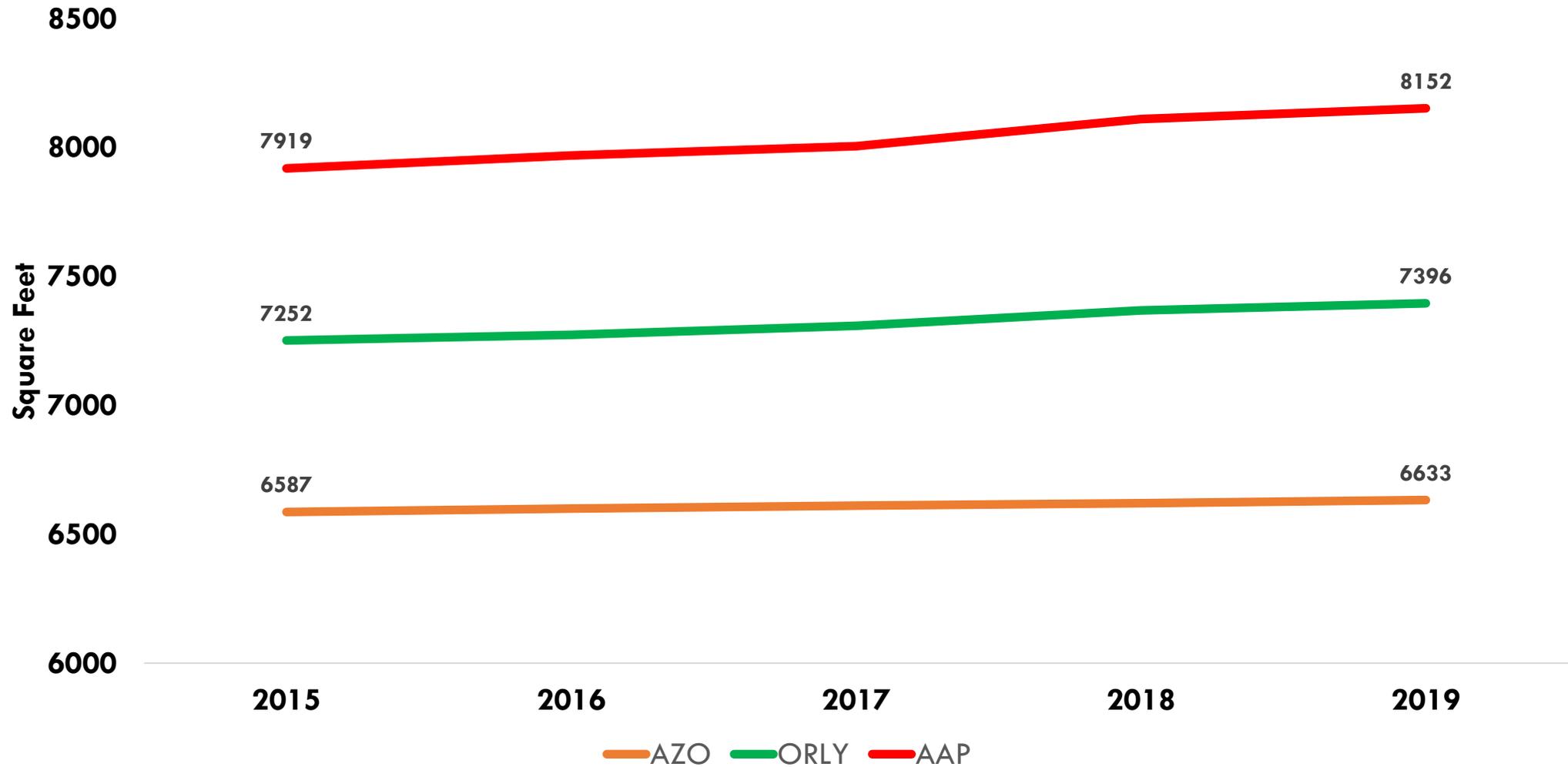
# Store Count



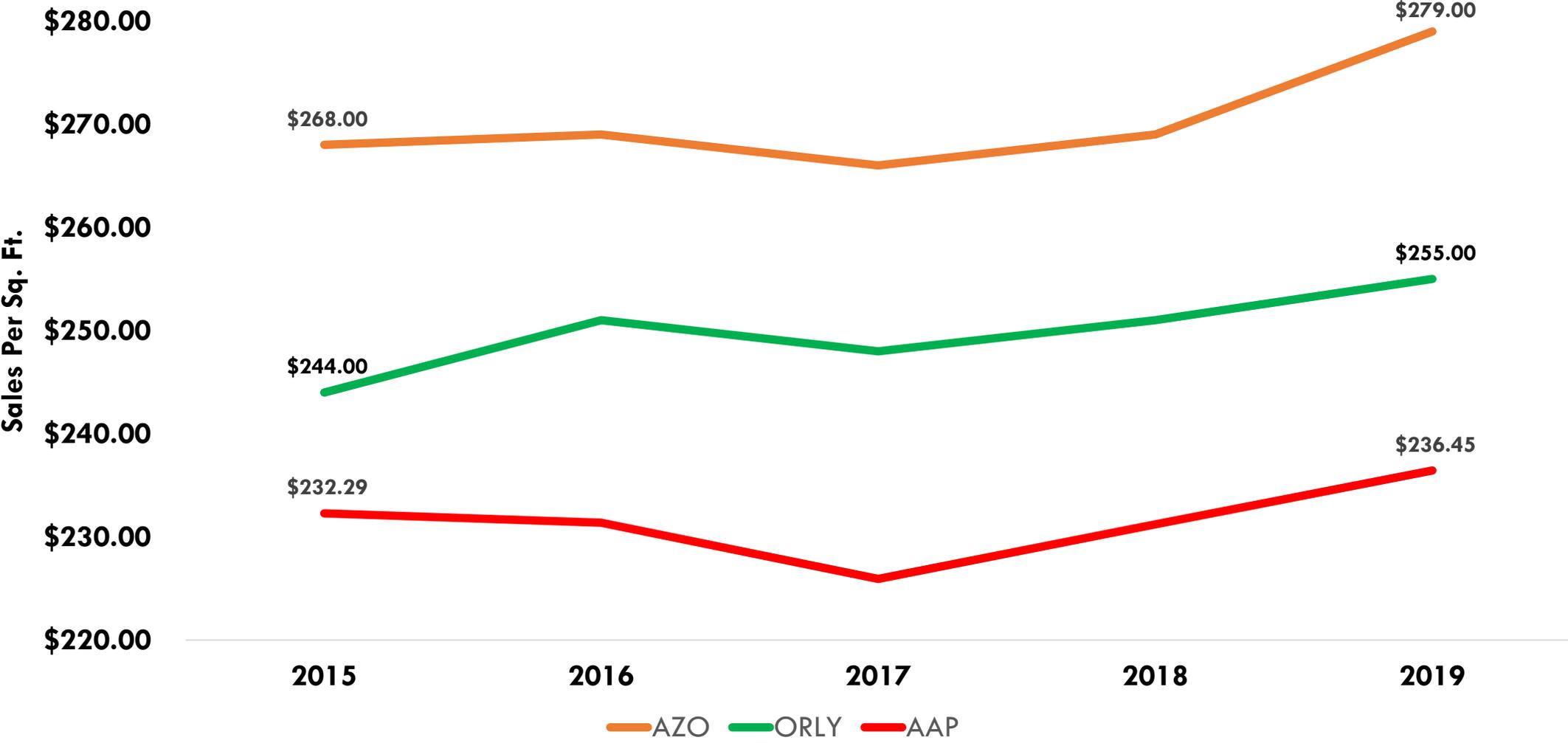
# Average Sales Per Store



# Average Square Footage Per Store



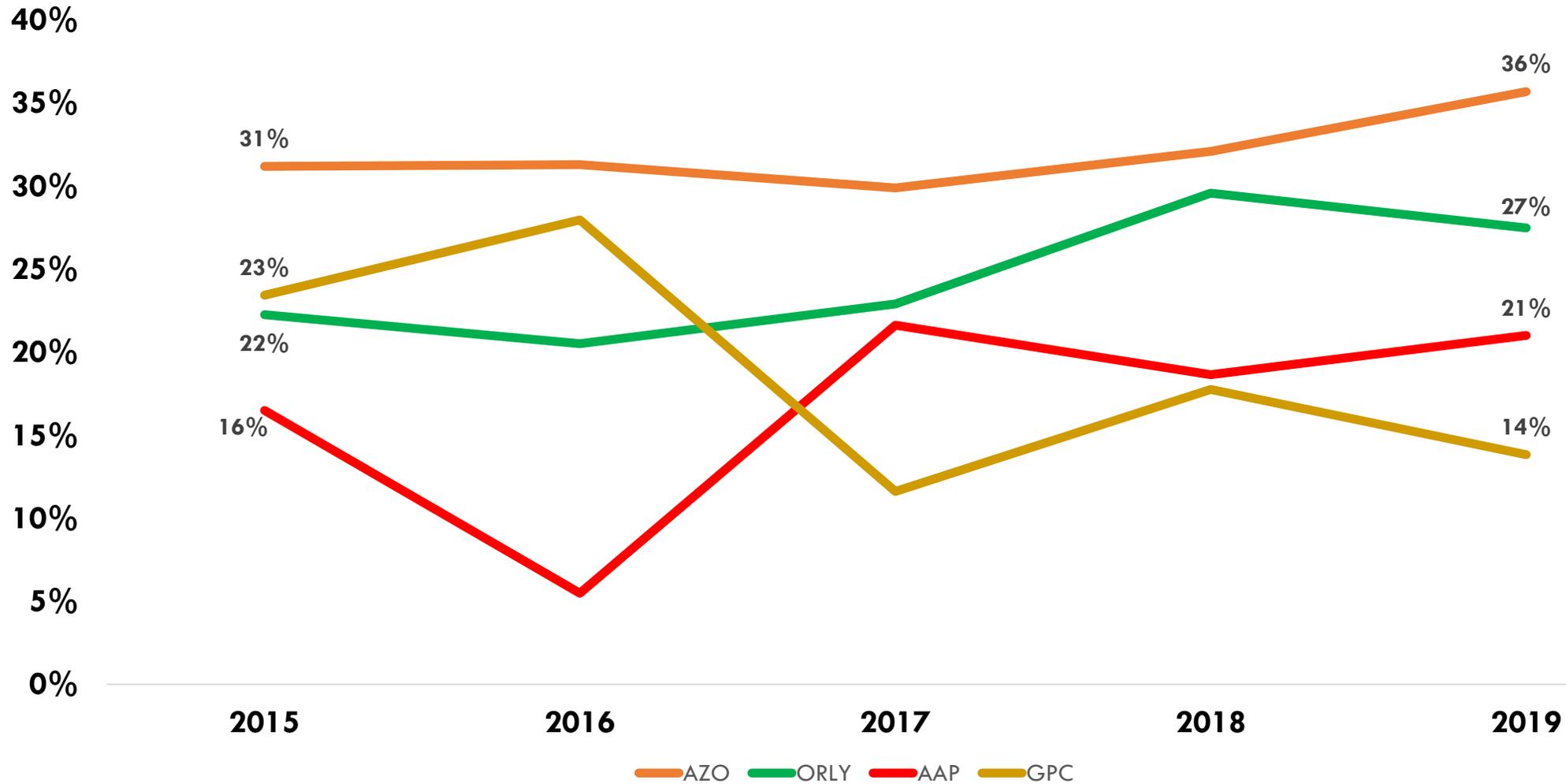
# Sales Per Square Foot



# After Tax Return On Invested Capital

$$\text{ROIC} = \frac{\text{Net Income} + \text{Interest Expense} + \text{Rent Expense} - \text{Tax Expense}}{\text{Total Debt} + \text{Deficit from SE} + \text{Rent Expense} * 6 + \text{Leases}}$$

# After Tax Return On Invested Capital



# Industry Dupont Analysis

Company	Net Margin	Total Asset Turnover	Return On Equity	Return On Capital	Obligation Ratio
	14%	1.20	NMF	43%	3.41
	14%	1.09	NMF	34%	3.91
	5%	0.96	16%	14%	7.20
	3%	1.42	23%	13%	6.40

Sources: Valueline and Gurufocus

# Industry Breakdown

Company	10 – Year EPS Growth	Projected EPS Growth	Price to Earnings	Price to Free Cash Flow	Price to Earnings Less Cash	Return On Assets	Return On Capital	Operating Margin	Net Margin
	18%	14%	16	12	15	14%	43%	19%	14%
	23.5%	11.5%	22	19	22	15%	34%	19%	14%
	10%	11%	23	33	21	5%	14%	7%	5%
	6.5%	7%	1878	10	1784	5%	13%	6%	3%

Sources: Valueline and Gurufocus

# Industry Breakdown

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	23.5%	11.5%	22	19	22	15%	34%	19%	14%
	10%	11%	23	33	21	5%	14%	7%	5%
	6.5%	7%	1878	10	1784	5%	13%	6%	3%

Sources: Valueline and Gurufocus

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	23.5%	11.5%	22	19	22	15%	34%	19%	14%
	10%	11%	23	33	21	5%	14%	7%	5%
	6.5%	7%	1878	10	1784	5%	13%	6%	3%

Sources: Valueline and Gurufocus

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	18%	14%	16	12	15	14%	43%	19%	14%
	23.5%	11.5%	22	19	22	15%	34%	19%	14%
	10%	11%	23	33	21	5%	14%	7%	5%
	6.5%	7%	1878	10	1784	5%	13%	6%	3%

Sources: Valueline and Gurufocus

# Industry Breakdown

Company	10 – Year EPS Growth	Projected EPS Growth	Price to Earnings	Price to Free Cash Flow	Price to Earnings Less Cash	Return On Assets	Return On Capital	Operating Margin	Net Margin
	18%	14%	16	12	15	14%	43%	19%	14%
	23.5%	11.5%	22	19	22	15%	34%	19%	14%
	10%	11%	23	33	21	5%	14%	7%	5%
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	10%	11%	23	33	21	5%	14%	7%	5%
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Sources: Valueline and Gurufocus

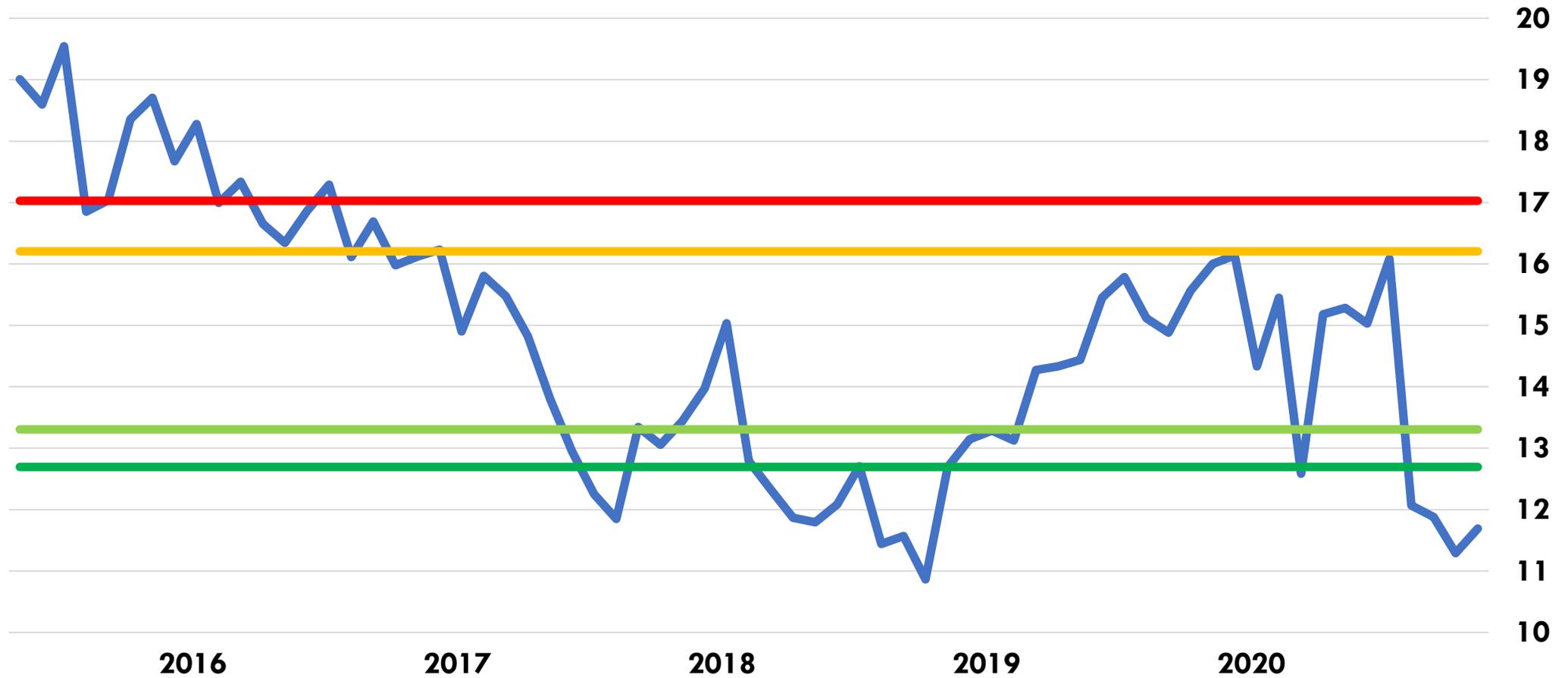
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	23.5%	11.5%	22	19	22	15%	34%	19%	14%
	10%	11%	23	33	21	5%	14%	7%	5%
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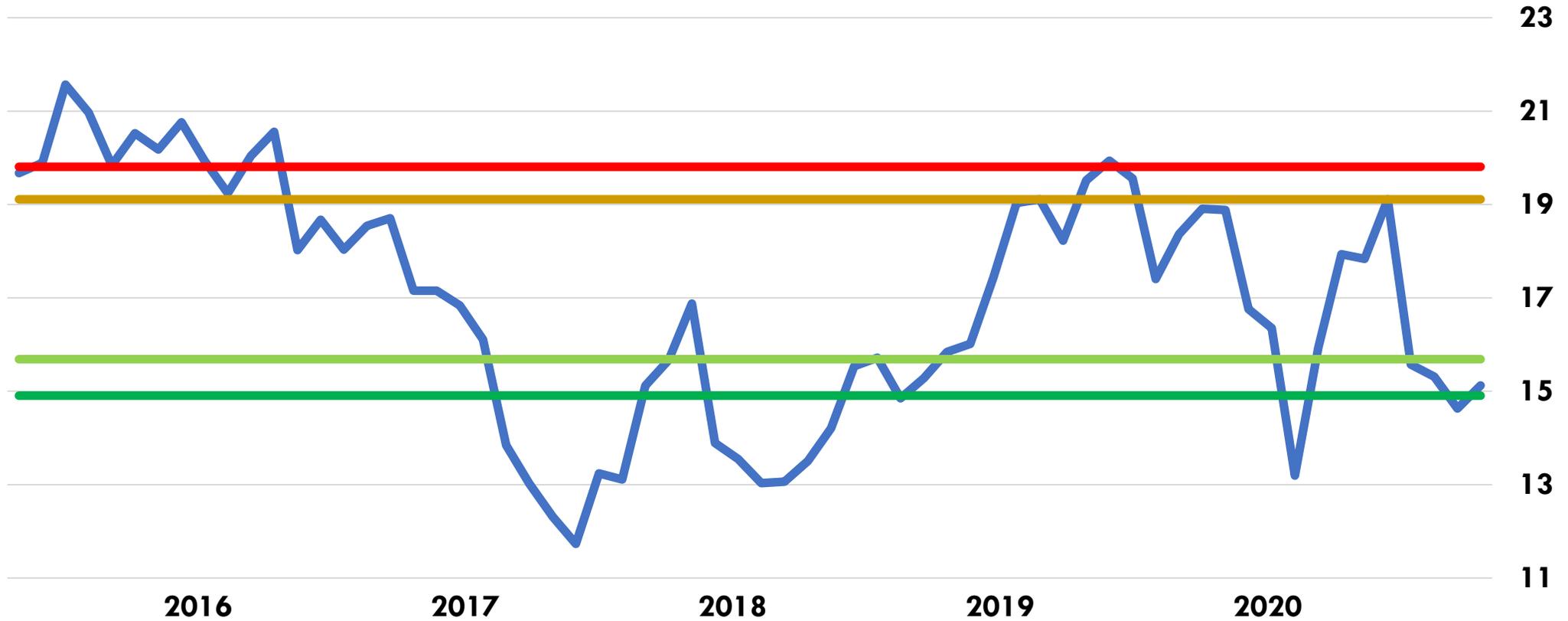
Sources: Valueline and Gurufocus



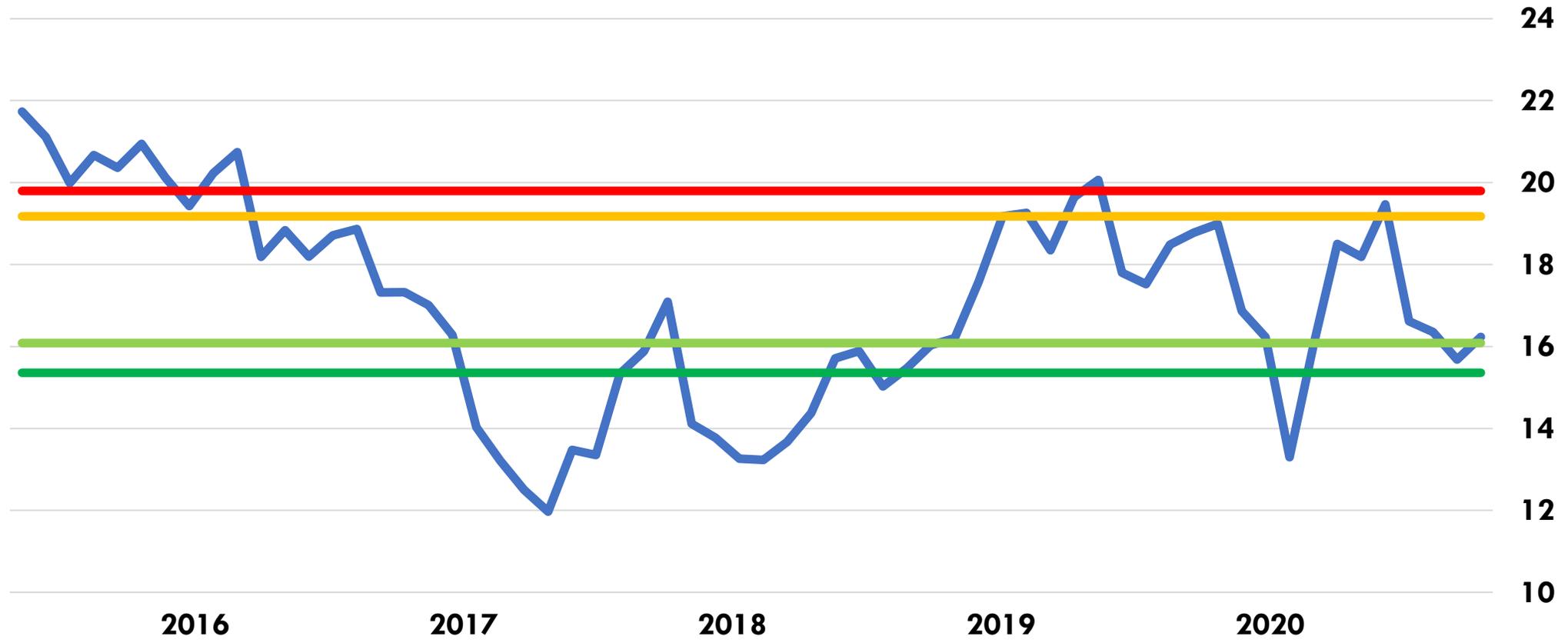
# Price to Owner's Earnings



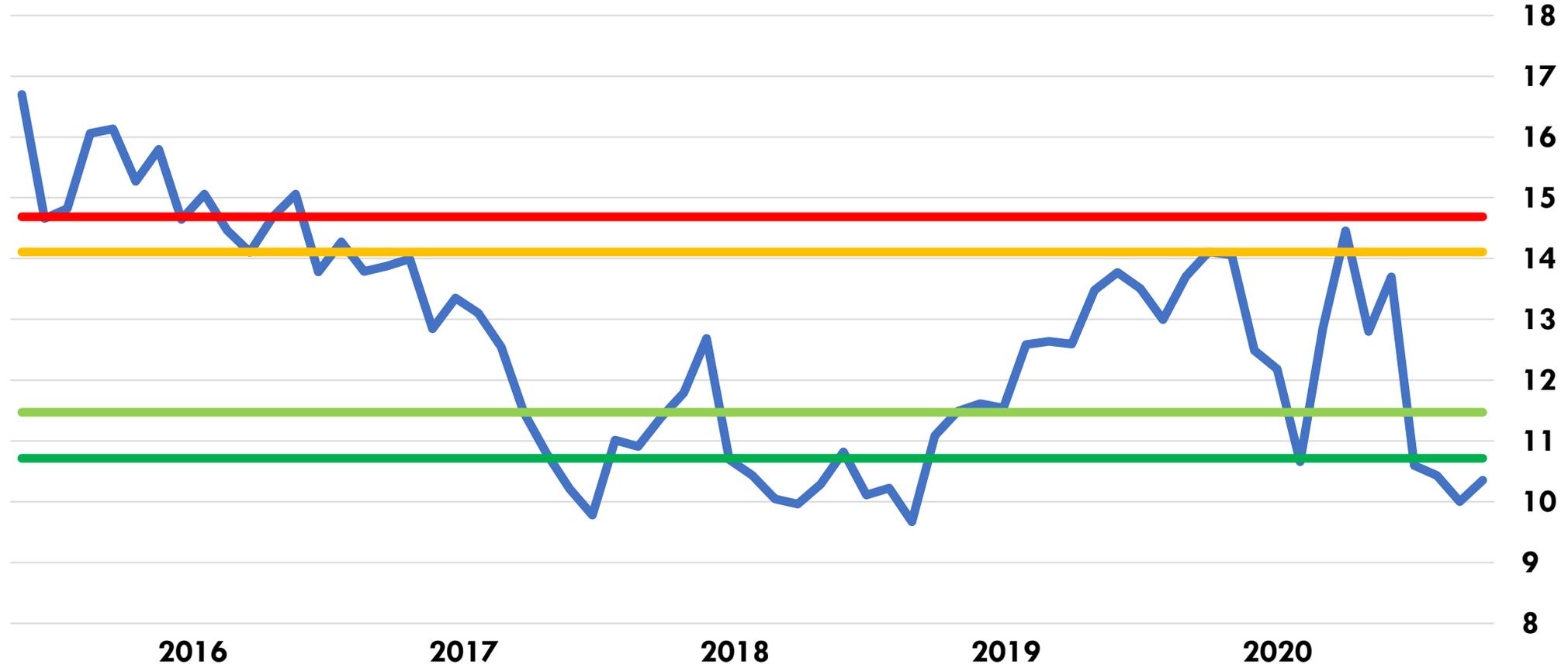
# Price to Earnings Less Cash



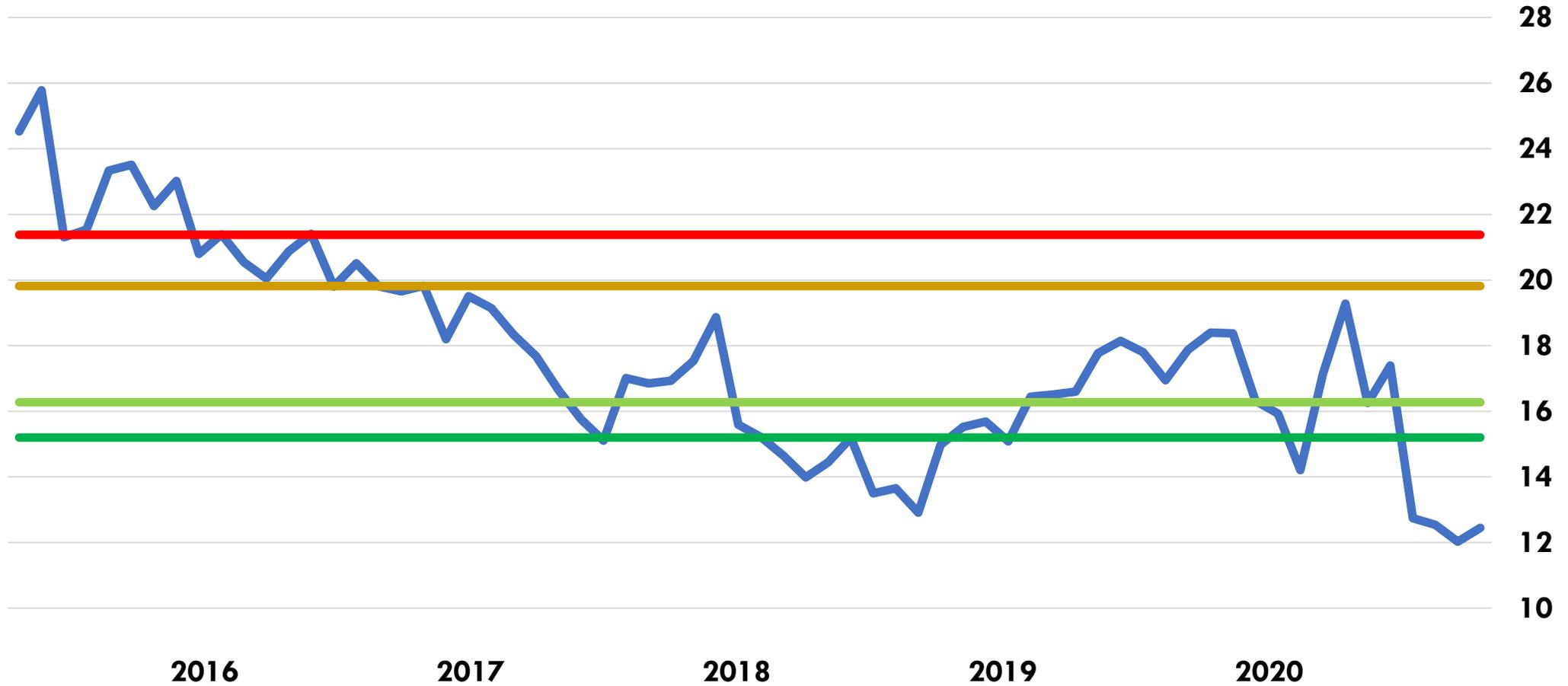
# Price to Earnings



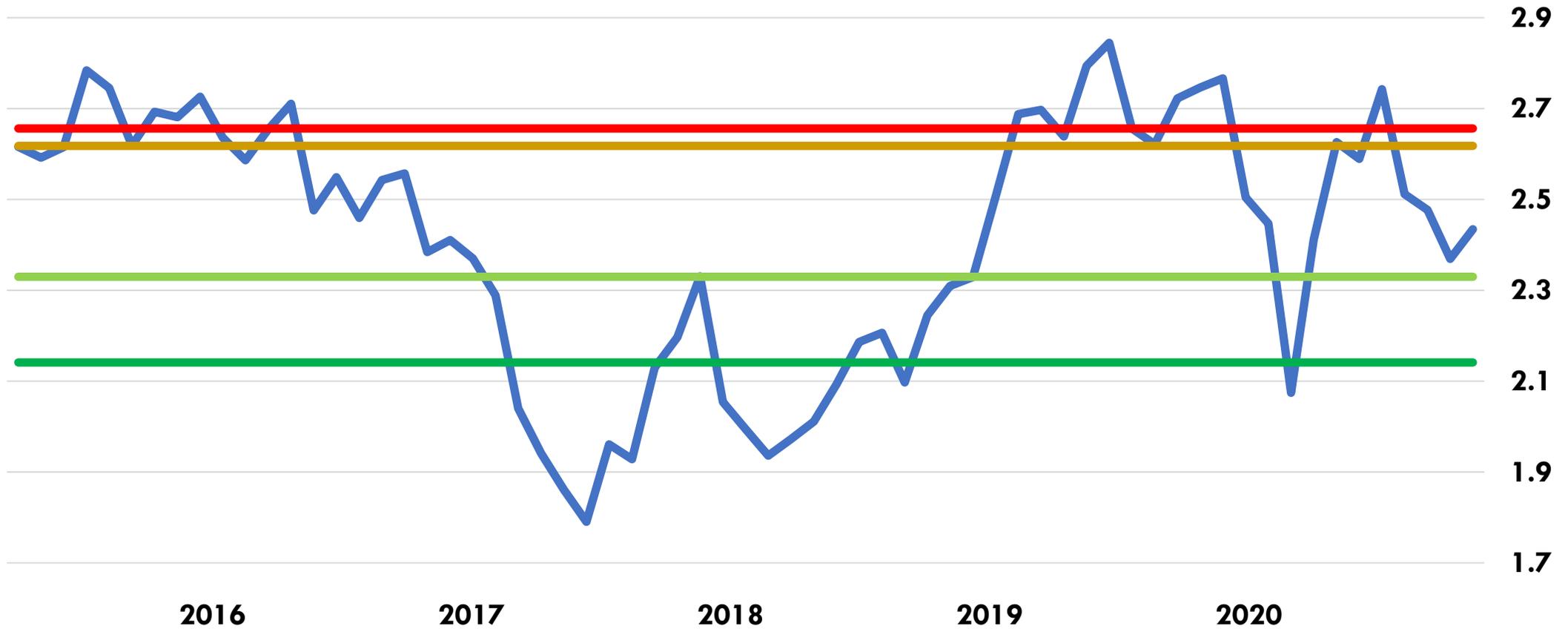
# Price to Cash Flow



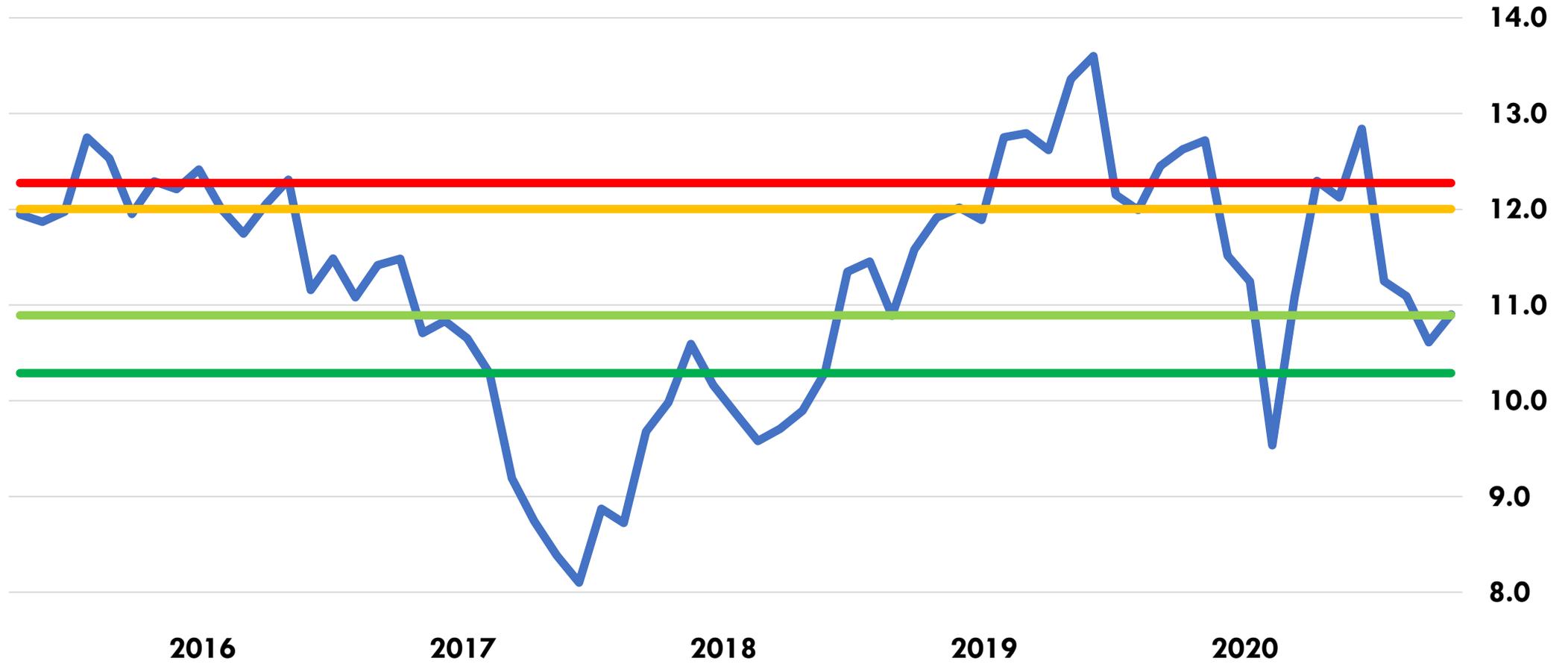
# Price to Free Cash Flow



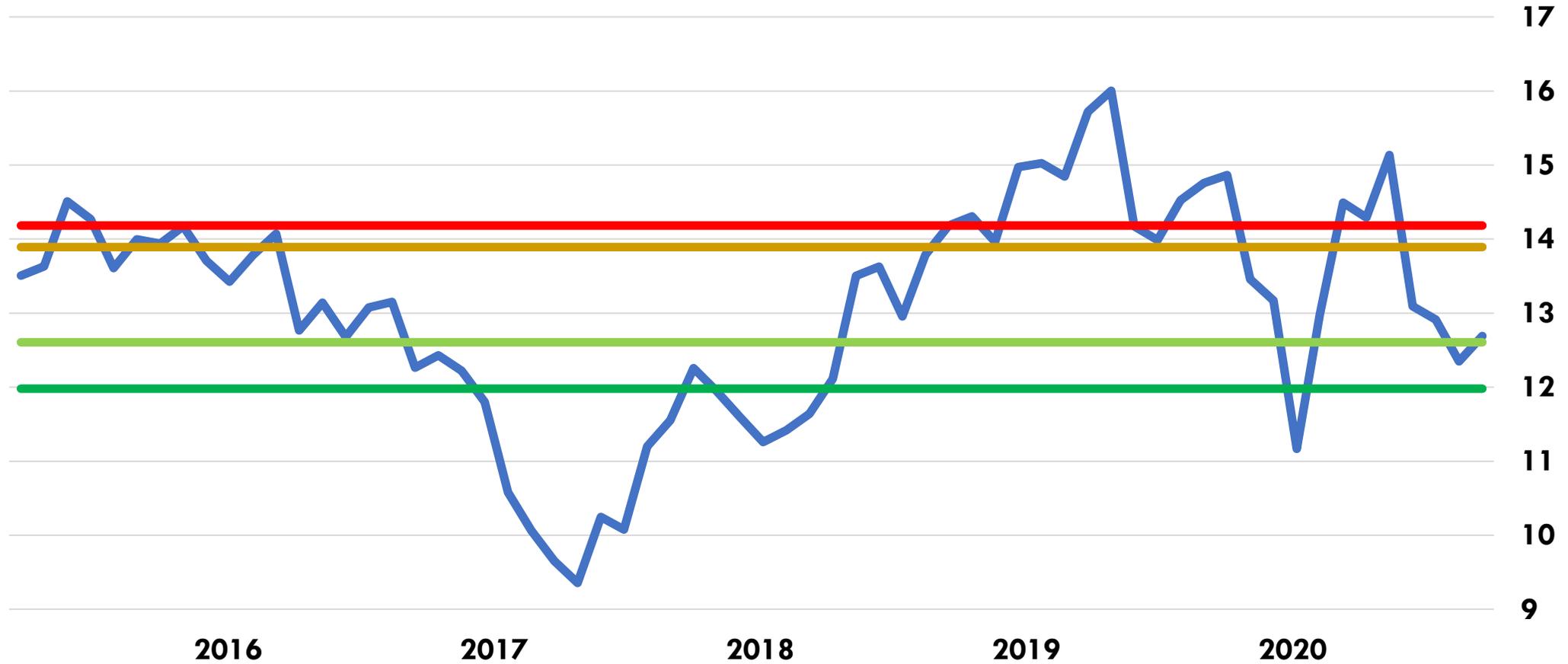
# Enterprise Value to Revenue



# Enterprise Value to EBITDA



# Enterprise Value to EBIT



# Conscious Investor



# 5-Year PE Ratio



**High: 22.09**

**Average: 17.16**

**Low: 11.37**

5 year EPS projection							Discount rate:						
							P/E	Projected price	PV	5 year Upside	annual return		
Bear	Current	2021	2022	2023	2024	2025	11.4x	\$	1,147.07	\$	745.52	-0.6%	<b>-0.1%</b>
	71.93	76.97	82.35	88.12	94.29	100.89	17.2x	\$	1,731.20	\$	1,125.16	50.0%	<b>8.4%</b>
	Syr growth estimate	7%	7%	7%	7%	7%	22.1x	\$	2,228.56	\$	1,448.41	93.1%	<b>14.1%</b>

5 year EPS projection							Discount rate:						
							P/E	Projected price	PV	5 year Upside	annual return		
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5 year EPS projection							Discount rate:				
							P/E	Projected price	PV	5 year Upside	annual return
Base	Current	2021	2022	2023	2024	2025	11.4x	\$ 1,378.11	\$ 895.68	Upside	3.6%
	EPS	\$71.93	79.84	88.62	98.37	109.19	17.2x	\$ 2,079.90	\$ 1,351.79	19.4%	12.5%
	5yr growth estimate	11%	11%	11%	11%	11%	22.1x	\$ 2,677.45	\$ 1,740.16	80.2%	18.3%
										131.9%	

5 year EPS projection							Discount rate:								
							P/E	Projected price	PV	5 year Upside	annual return				
Base		Current	2021	2022	2023	2024	2025	11.4x	\$	1,378.11	\$	895.68	Upside	19.4%	3.6%
	EPS	\$71.93	79.84	88.62	98.37	109.19	121.21	17.2x	\$	2,079.90	\$	1,351.79	80.2%	12.5%	
	Syr growth estimate		11%	11%	11%	11%	11%	22.1x	\$	2,677.45	\$	1,740.16	131.9%	18.3%	

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							P/E	Projected price	PV	5 year Upside	annual return
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	EPS	\$71.93	79.84	88.62	98.37	109.19	17.2x	\$ 2,079.90	\$ 1,351.79	19.4%	<b>3.6%</b>
	5yr growth estimate	11%	11%	11%	11%	11%	22.1x	\$ 2,677.45	\$ 1,740.16	80.2%	<b>12.5%</b>
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5 year EPS projection							Discount rate:					
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<b>Bull</b>	Current	2021	2022	2023	2024	2025	11.4x	\$ 1,574.69	\$ 1,023.44	Upside	
	71.93	82.00	93.48	106.57	121.49	138.50	17.2x	\$ 2,376.58	\$ 1,544.61	36.4%	<b>6.4%</b>
	Syr growth estimate	14%	14%	14%	14%	14%	22.1x	\$ 3,059.36	\$ 1,988.37	105.9%	<b>15.5%</b>
										165.0%	<b>21.5%</b>

5 year EPS projection							Discount rate:							
							P/E	Projected price	PV	5 year Upside	annual return			
<b>Bull</b>		Current	2021	2022	2023	2024	2025	11.4x	\$	1,574.69	\$	1,023.44	<b>Upside</b>	
	EPS	71.93	82.00	93.48	106.57	121.49	138.50	17.2x	\$	2,376.58	\$	1,544.61	36.4%	<b>6.4%</b>
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	<b>5yr growth estimate</b>	14%	14%	14%	14%	14%	22.1x	\$ 3,059.36	\$ 1,988.37	105.9%	<b>15.5%</b>
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	71.93	82.00	93.48	106.57	121.49	138.50	17.2x	\$	2,376.58	\$	1,544.61	36.4%	<b>6.4%</b>
	<b>5yr growth estimate</b>	14%	14%	14%	14%	14%	22.1x	\$	3,059.36	\$	1,988.37	105.9%	<b>15.5%</b>
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5 year EPS projection							Discount rate:				
								9%			
							P/E	Projected price	PV	5 year Upside	annual return
<b>Bull</b>	Current	2021	2022	2023	2024	2025	11.4x	\$ 1,574.69	\$ 1,023.44	Upside	
	EPS	71.93	82.00	93.48	106.57	121.49	17.2x	\$ 2,376.58	\$ 1,544.61	36.4%	<b>6.4%</b>
	Syr growth estimate	14%	14%	14%	14%	14%	22.1x	\$ 3,059.36	\$ 1,988.37	105.9%	<b>15.5%</b>
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5 year EPS projection							Discount rate:				
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	<b>Syr growth estimate</b>	14%	14%	14%	14%	14%	22.1x	\$ 3,059.36	\$ 1,988.37	105.9%	<b>15.5%</b>
										165.0%	<b>21.5%</b>

# Discounted Cash Flow Analysis



# DCF Using EPS

Bear Case	
EPS	\$71.93
Growth Rate	7%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$1,154.02
Fair Value	\$1,116.43
MOS	-3.37%

Base Case	
EPS	\$71.93
Growth Rate	11%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$1,154.02
Fair Value	\$1,468.48
MOS	21.41%

Bull Case	
EPS	\$71.93
Growth Rate	14%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$1,154.02
Fair Value	\$1,806.15
MOS	36.11%

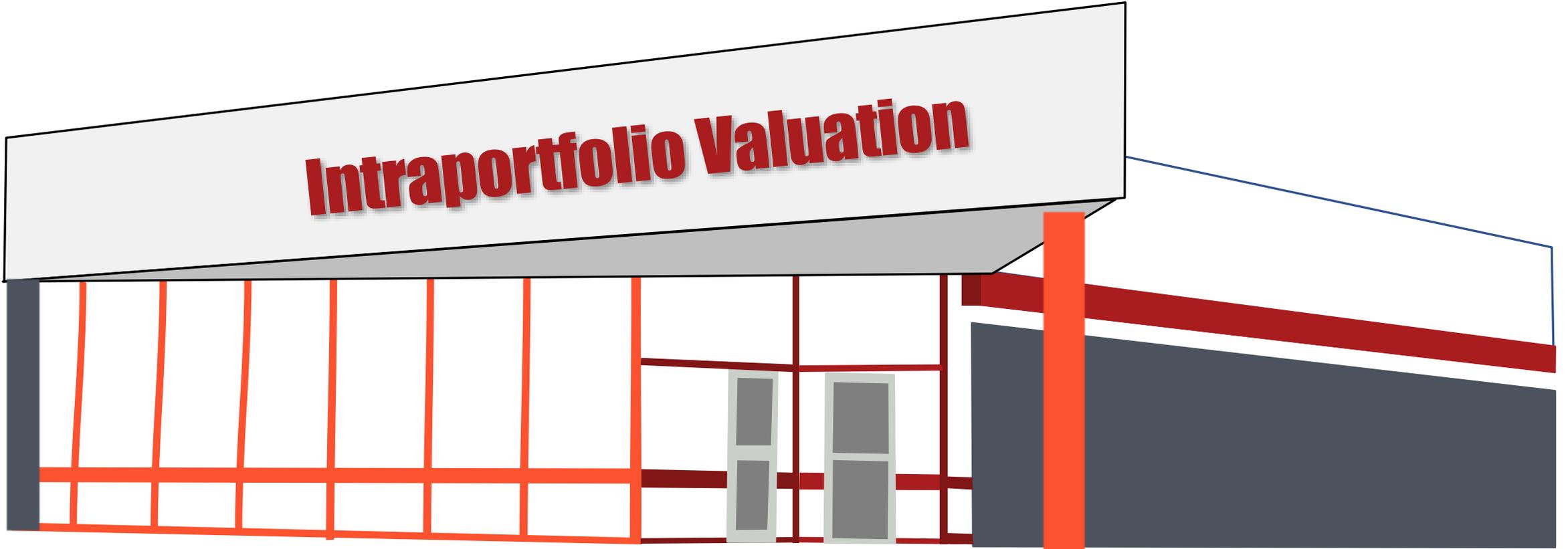
# DCF Using FCF/Share

Bear Case	
FCF	\$93.90
Growth Rate	4%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$1,154.02
Fair Value	\$1,189.52
MOS	2.98%

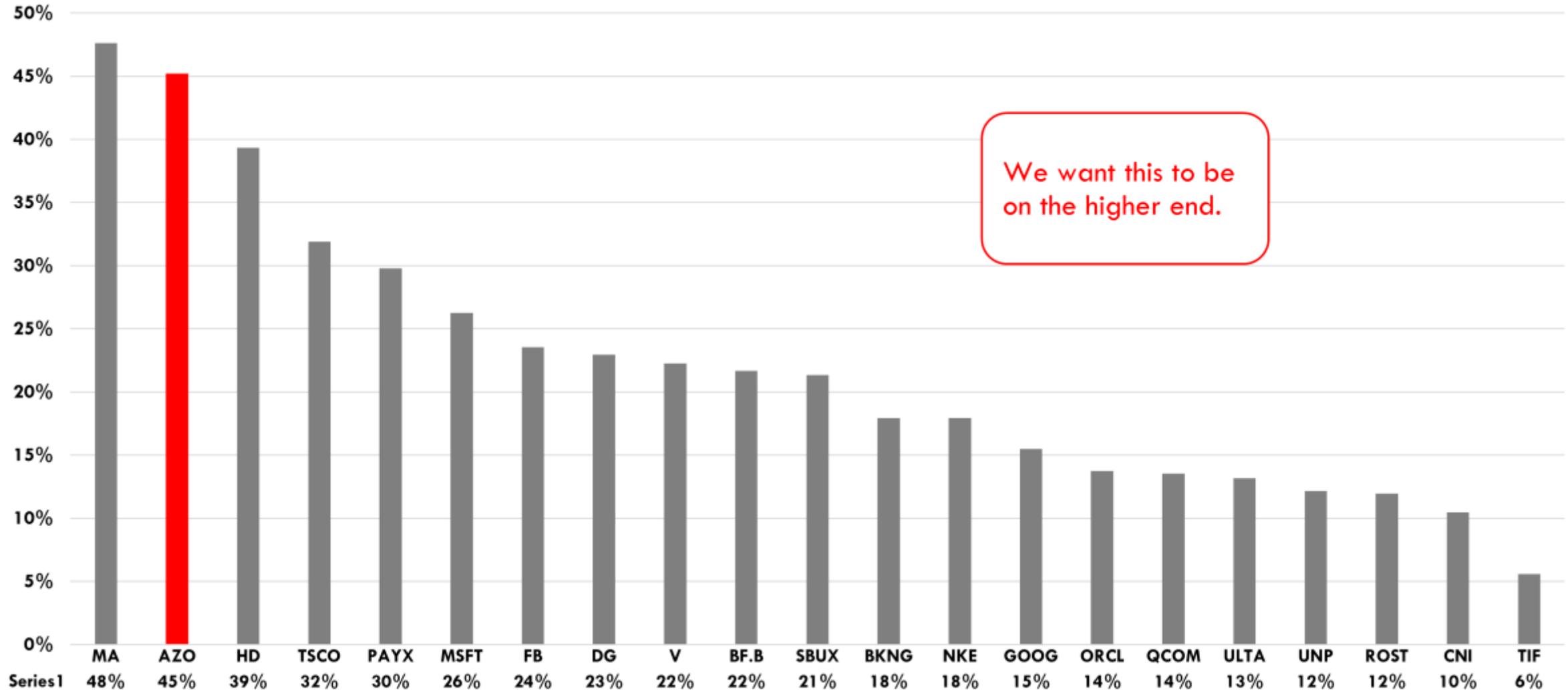
Base Case	
FCF	\$93.90
Growth Rate	7%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$1,154.02
Fair Value	\$1,457.43
MOS	20.82%

Bull Case	
FCF	\$93.90
Growth Rate	10%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$1,154.02
Fair Value	\$1,789.59
MOS	35.51%

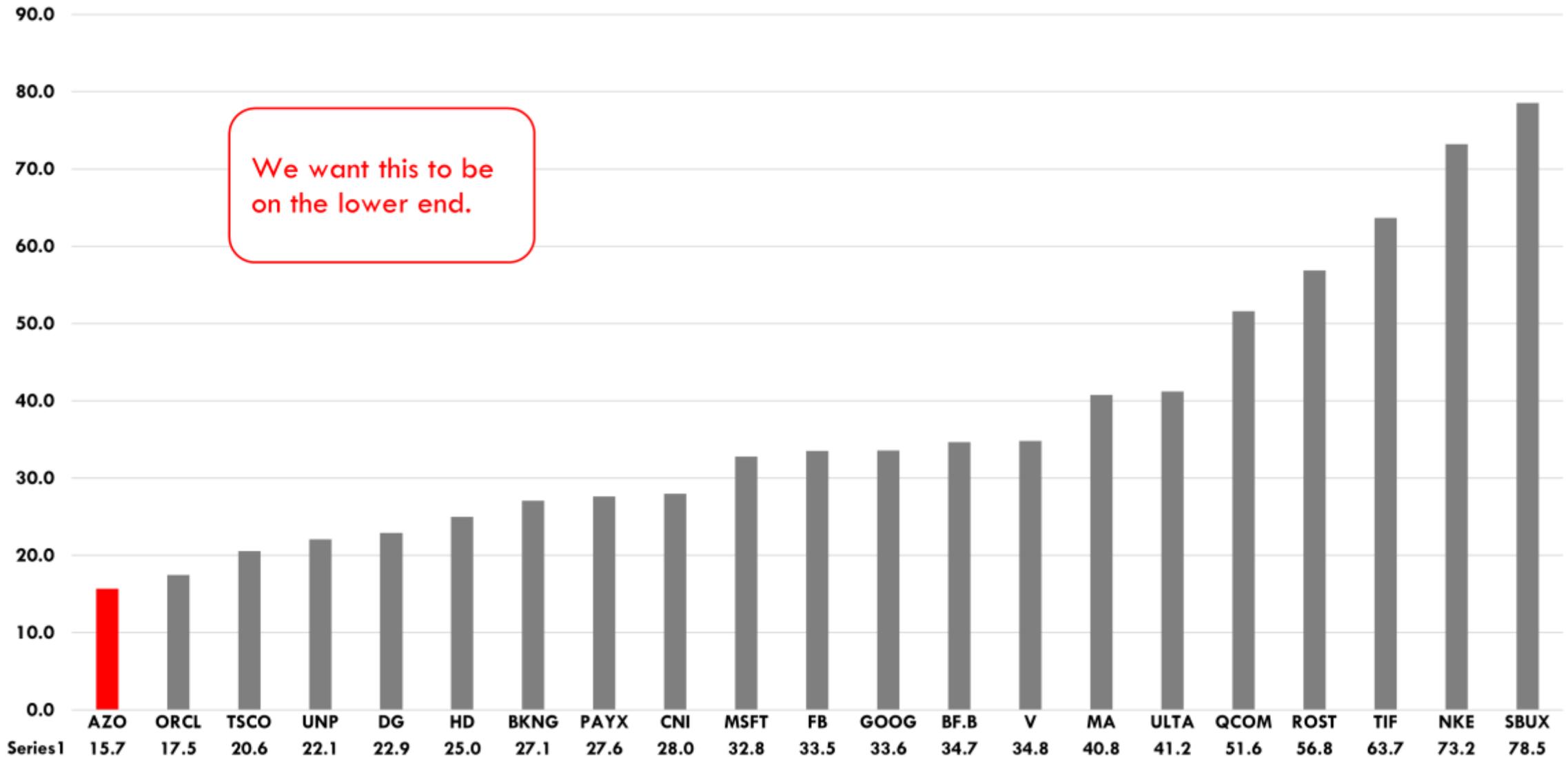
# Intraportfolio Valuation



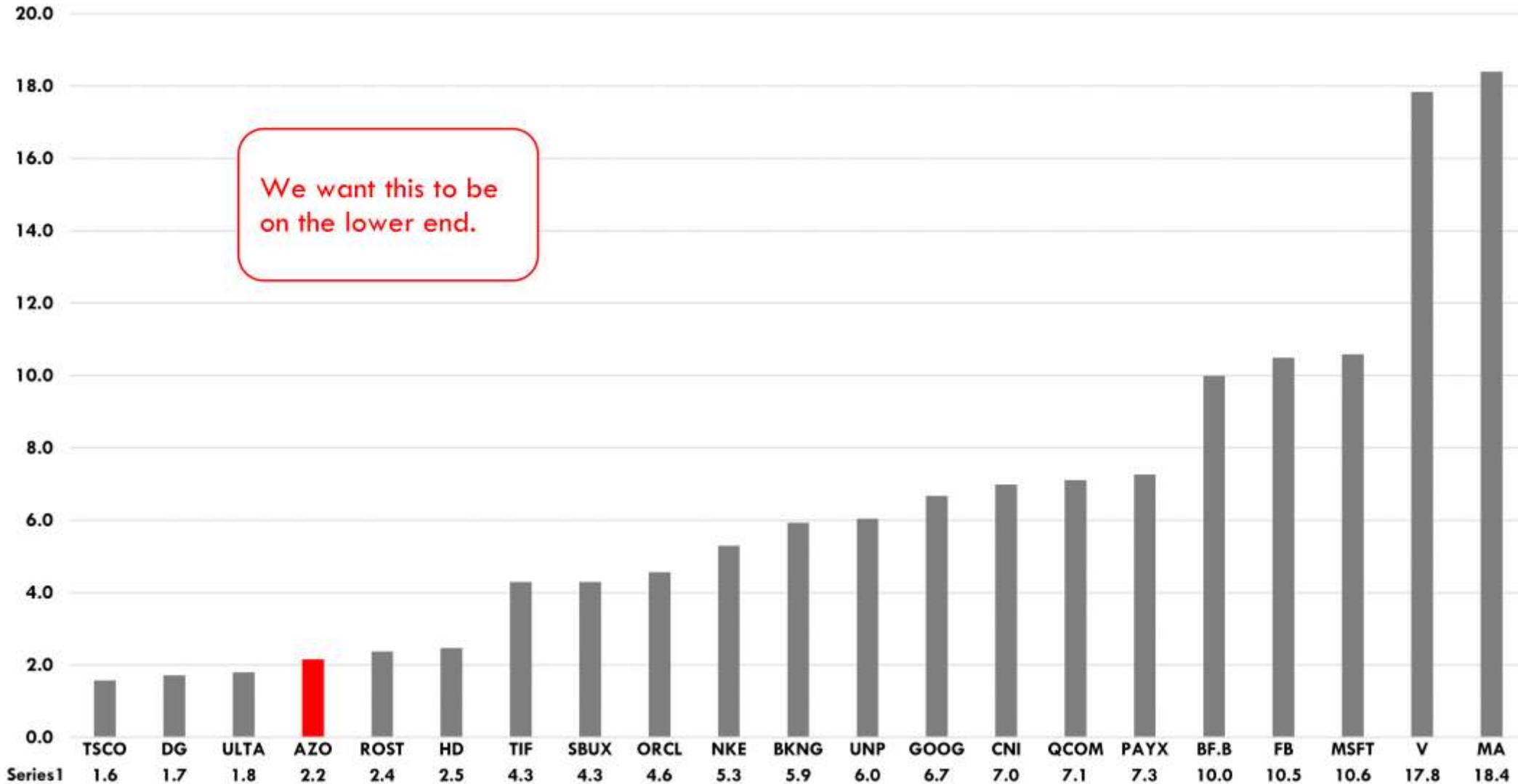
# Return On Invested Capital



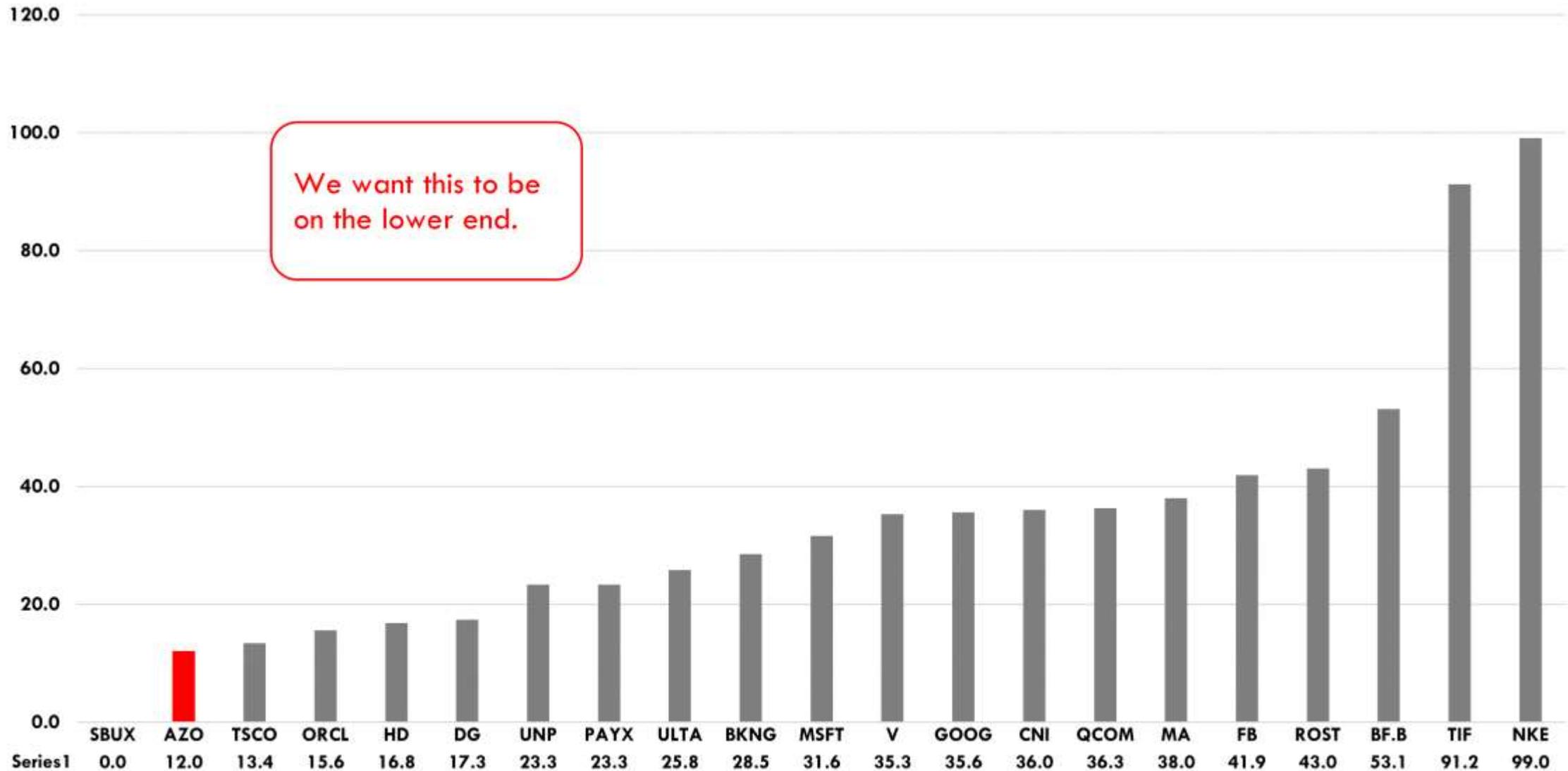
# Price/Earnings Ratio



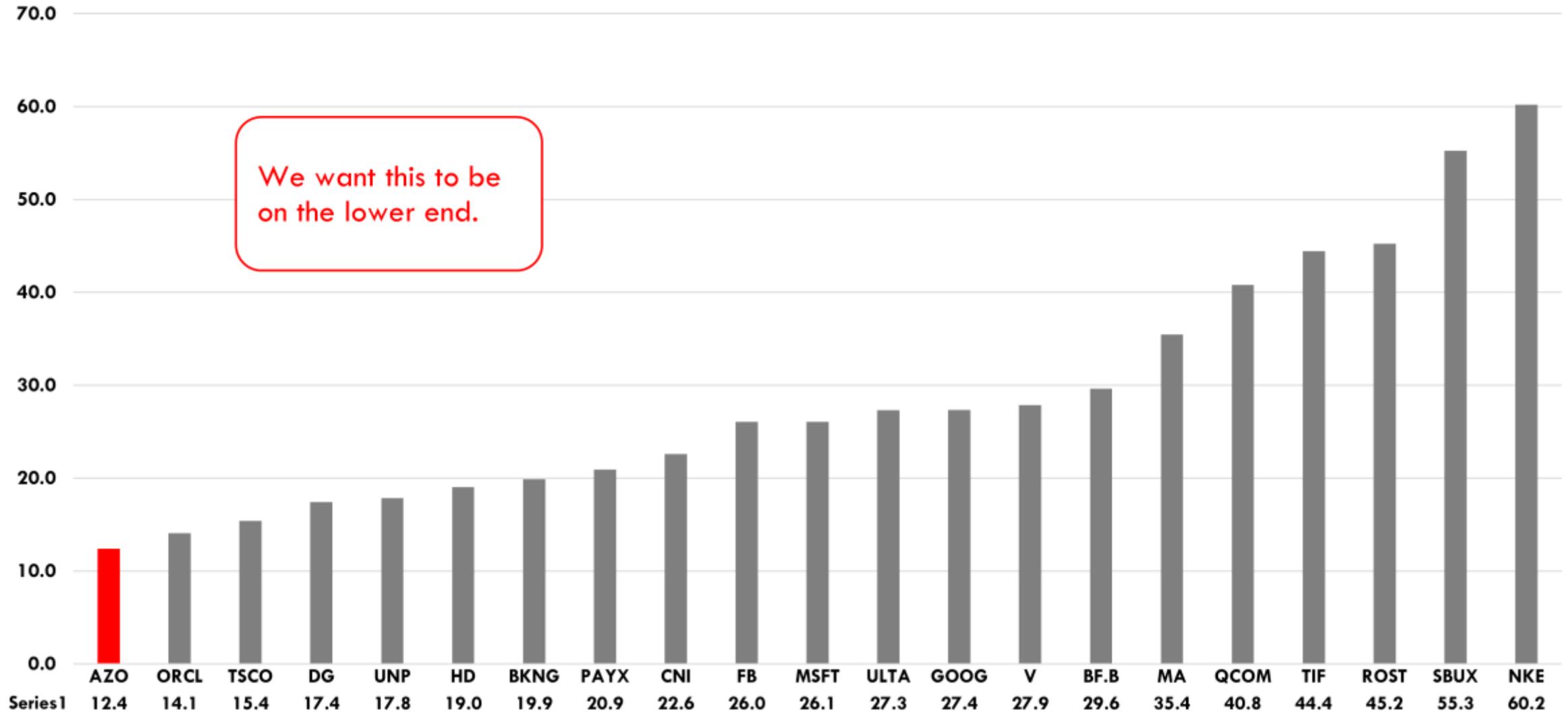
# Price/Sales Ratio



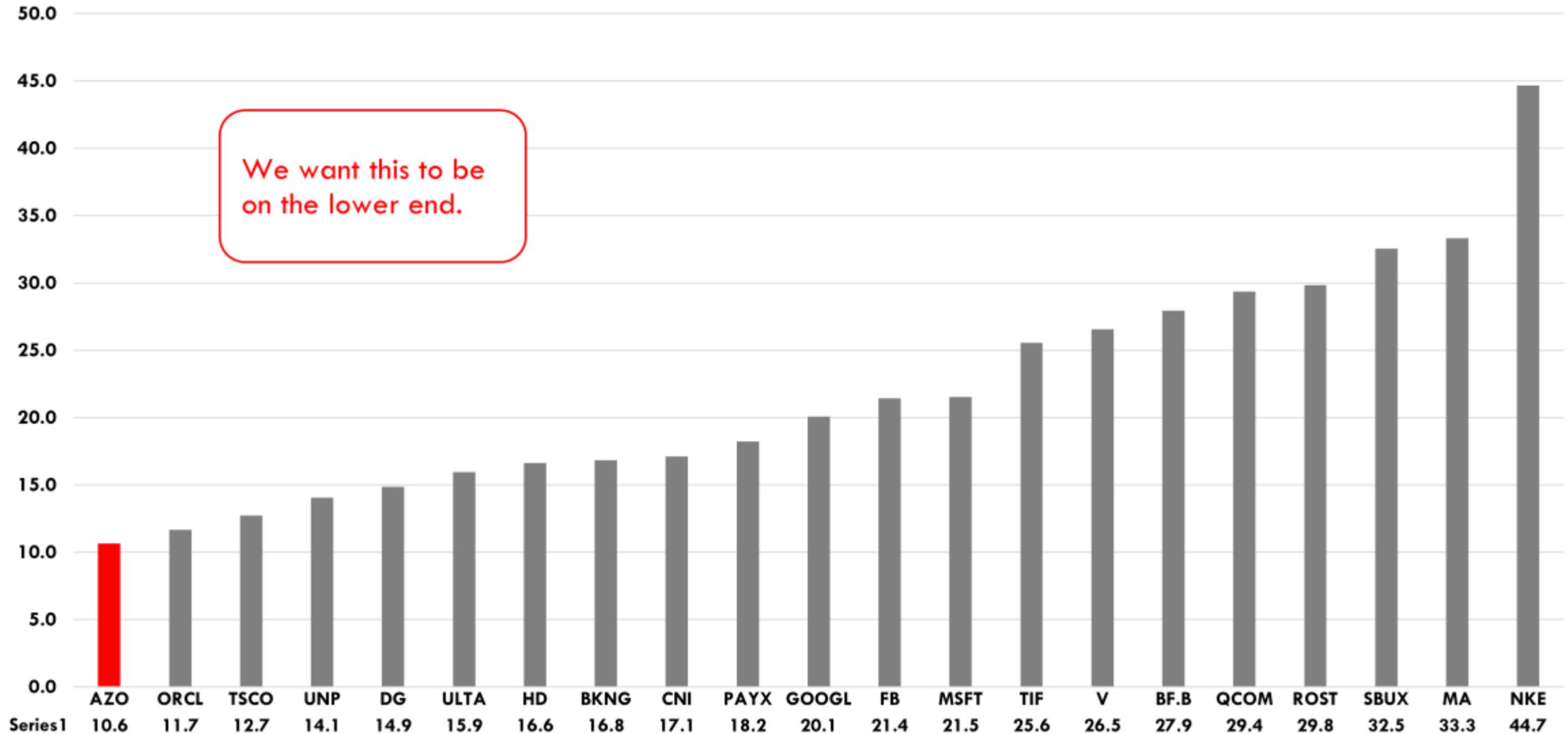
# Price To Free Cash Flow



# EV To EBIT



# EV To EBITDA



# Conclusion and Recommendation



# Recommendation



**We believe this is a fantastic business trading at a discount.**

**Our recommendation is to buy 35 shares at a Limit Order of \$1,150 or 5% of the portfolio**



# Appendix

# First Quarter FY 2020 P&L

<i>in millions (excluding EPS and percentages)</i>	<b>12 Weeks Ended 11/23/2019</b>	<b>12 Weeks Ended 11/17/2018</b>	<b>B/(W)</b>
<b>Net Sales</b>	\$ 2,793	\$ 2,642	5.7%
<b>Gross Margin</b>	53.7%	53.7%	8 bps
<b>Operating Expense Ratio</b>	35.8%	35.2%	(65 bps)
<b>Operating Profit (EBIT)</b>	\$ 500	\$ 488	2.5%
<b>Operating (EBIT) Margin</b>	17.9%	18.5%	(57 bps)
<b>Interest</b>	\$ 43.7	\$ 39.0	(12.1%)
<b>Tax Rate</b>	23.2%	21.7%	
<b>Net Income</b>	\$ 350	\$ 351	(0.3%)
<b>Diluted Shares</b>	24.5	26.1	6.1%
<b>Diluted EPS</b>	\$ 14.30	\$ 13.47	6.2%

# Second Quarter FY 2020 P&L

<i>in millions (excluding EPS and percentages)</i>	<b>12 Weeks Ended 2/15/2020</b>	<b>12 Weeks Ended 2/9/2019</b>	<b>B/(W)</b>
<b>Net Sales</b>	\$ 2,514	\$ 2,451	2.6%
<b>Gross Margin</b>	54.3%	54.1%	28 bps
<b>Operating Expense Ratio</b>	38.1%	37.7%	(37 bps)
<b>Operating Profit (EBIT)</b>	\$ 408	\$ 400	2.0%
<b>Operating (EBIT) Margin</b>	16.2%	16.3%	(9 bps)
<b>Interest</b>	\$ 44.3	\$ 41.4	(7.2%)
<b>Tax Rate</b>	17.7%	17.8%	
<b>Net Income</b>	\$ 299	\$ 295	1.6%
<b>Diluted Shares</b>	24.2	25.6	5.8%
<b>Diluted EPS</b>	\$ 12.39	\$ 11.49	7.8%

# Third Quarter FY 2020 P&L

<i>In millions (excluding EPS and percentages)</i>	<b>12 Weeks Ended 5/9/2020</b>	<b>12 Weeks Ended 5/4/2019</b>	<b>B/(W)</b>
<b>Net Sales</b>	<b>\$ 2,779</b>	<b>\$ 2,783</b>	<b>(0.1%)</b>
<b>Gross Margin</b>	<b>53.6%</b>	<b>53.6%</b>	<b>2 bps</b>
<b>Operating Expense Ratio</b>	<b>35.9%</b>	<b>33.9%</b>	<b>(200 bps)</b>
<b>Operating Profit (EBIT)</b>	<b>\$ 492</b>	<b>\$ 548</b>	<b>(10.2%)</b>
<b>Operating (EBIT) Margin</b>	<b>17.7%</b>	<b>19.7%</b>	<b>(198 bps)</b>
<b>Interest</b>	<b>\$ 47.5</b>	<b>\$ 43.2</b>	<b>(9.7%)</b>
<b>Tax Rate</b>	<b>22.8%</b>	<b>19.5%</b>	
<b>Net Income</b>	<b>\$ 343</b>	<b>\$ 406</b>	<b>(15.5%)</b>
<b>Diluted Shares</b>	<b>23.8</b>	<b>25.4</b>	<b>6.2%</b>
<b>Diluted EPS</b>	<b>\$ 14.39</b>	<b>\$ 15.99</b>	<b>(10.0%)</b>

# Fourth Quarter FY 2020 P&L - GAAP

<i>in millions (excluding EPS and percentages)</i>	<b>16 Weeks Ended 8/29/2020</b>	<b>17 Weeks Ended 8/31/2019</b>	<b>B/(W)</b>
<b>Net Sales</b>	<b>\$ 4,546</b>	<b>\$ 3,988</b>	<b>14.0%</b>
<b>Gross Margin</b>	<b>53.1%</b>	<b>53.4%</b>	<b>(33 bps)</b>
<b>Operating Expense Ratio</b>	<b>30.7%</b>	<b>33.8%</b>	<b>315 bps</b>
<b>Operating Profit (EBIT)</b>	<b>\$ 1,018</b>	<b>\$ 781</b>	<b>30.4%</b>
<b>Operating (EBIT) Margin</b>	<b>22.4%</b>	<b>19.6%</b>	<b>281 bps</b>
<b>Interest</b>	<b>\$ 65.6</b>	<b>\$ 61.2</b>	<b>(7.3%)</b>
<b>Tax Rate</b>	<b>22.3%</b>	<b>21.5%</b>	
<b>Net Income</b>	<b>\$ 740</b>	<b>\$ 565</b>	<b>31.0%</b>
<b>Diluted Shares</b>	<b>23.9</b>	<b>25.0</b>	<b>4.3%</b>
<b>Diluted EPS</b>	<b>\$ 30.93</b>	<b>\$ 22.59</b>	<b>36.9%</b>

The fiscal 2020 annual incentive payout matrix is as follows:

<b>AutoZone FY20 Incentive Payout Matrix</b>					
<b>EBIT (MMs)</b>	<b>\$2,011.8</b>	<b>\$2,123.5</b>	<b>\$2,235.3</b>	<b>\$2,347.1</b>	<b>\$2,458.8</b>
	90%	95%	100%	105%	110%
	32.3%	65%	86%	107%	129%
	32.8%	69%	90%	111%	132%
	33.3%	72%	93%	115%	136%
<b>R . . . .</b>	33.8%	75%	97%	118%	140%
<b>O . . . .</b>	<b>34.3%</b>	78%	<b>100%</b>	122%	143%
<b>I . . . .</b>	34.8%	81%	100%	125%	147%
<b>C . . . .</b>	35.3%	84%	100%	128%	150%
	35.8%	87%	100%	131%	153%
	36.3%	90%	100%	134%	157%

	<u>EBIT</u> <u>(SMMs)</u>	<u>ROIC</u>
EICP Target .....	2,235.3	34.3 %
Actual (as adjusted) .....	2,489.9	38.8 %
Difference .....	254.6	4.50 %
EBIT Surplus .....	11.4%	

Accordingly, the incentive payout for fiscal year 2020, before adjusting for the individual performance component, was 179.6%.

<b>ANNUAL RATES</b> of change (per sh)	<b>Past</b> <b>10 Yrs.</b>	<b>Past</b> <b>5 Yrs.</b>	<b>Est'd '17-'19</b> <b>to '23-'25</b>
Sales	14.5%	11.0%	12.5%
"Cash Flow"	17.5%	14.0%	14.0%
Earnings	18.0%	14.0%	14.0%
Dividends	--	--	<i>Nil</i>
Book Value	--	--	<i>NMF</i>



# Capital Expenditures to Net Income

