Investment Thesis

Current Price - $2,111.43
Target Price - $3,553.41
Upside > 68%
Recommendation - BUY

Key Drivers

RIISING AVERAGE VEHICLE AGE

EXPANSION INTO LATIN AMERICA
- Mexico
- Brazil

ACCELERATED GROWTH IN COMMERCIAL AND DIY
- Hubs and Mega Hubs
- Industry growth
**Company Overview**

**KEY STATISTICS**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap (Billions)</td>
<td>40.91</td>
</tr>
<tr>
<td>Beta</td>
<td>0.75</td>
</tr>
<tr>
<td>Sales (Billions)</td>
<td>16.25</td>
</tr>
<tr>
<td>P/E</td>
<td>17.92</td>
</tr>
<tr>
<td>P/CF</td>
<td>14.57</td>
</tr>
<tr>
<td>ROI%</td>
<td>63.10</td>
</tr>
<tr>
<td>ROA%</td>
<td>16.70</td>
</tr>
<tr>
<td>ROE%</td>
<td>-92.2%</td>
</tr>
</tbody>
</table>

**AZO Stock Performance 2010-2022**
Business Description

- AutoZone has grown to be the leading retailer and a leading distributor of automotive replacement parts and accessories.
Private-Label Products and Brand Names
AutoZone sells heavy-duty truck parts through its subsidiary TruckPro L.P.
Provides heavy duty truck diagnostic and repair software through ALLDATA Corp.
## Separation of Stores

<table>
<thead>
<tr>
<th>Satellite Stores</th>
<th>Hubs</th>
<th>MegaHubs</th>
</tr>
</thead>
<tbody>
<tr>
<td>APROXXIMATELY 40%-50% HARD PARTS</td>
<td>APROXXIMATELY 75% HARD PARTS</td>
<td>APROXXIMATELY 80% HARD PARTS</td>
</tr>
<tr>
<td><em>Currently around 6,000</em>&lt;br&gt;<em>Roughly 20,000 Sku's</em></td>
<td><em>Currently 179 Hubs</em>&lt;br&gt;<em>Roughly 80,000 Sku's</em></td>
<td><em>Currently 62 Mega Hubs</em>&lt;br&gt;<em>Have roughly 100,000 Sku's</em></td>
</tr>
</tbody>
</table>
AutoZone reached a record $14.6 billion in sales and grew domestic sales by 13.6%.

AutoZone will continue to expand its store base in Mexico and Brazil.

Mexico currently has 664 stores and Brazil with 52 stores.
U.S AUTOMOTIVE AFTERMARKET INDUSTRY IS A $420B INDUSTRY

Growing at a Compound annual growth rate of nearly 4% projected through 2024.

NEXT-GENERATION VEHICLES

Green energy solutions lead to electrification of cars

COMPETITIVE POWER

Entry of new competitors

Industry consolidation and integrations forces
48% of vehicles are 10 years or older
64% have over 100K miles
14% have over 200K miles

Reporting about (74%) of people are using older vehicles, and do a lot of their own repair work (84% have done some work on their vehicle in past three months):
- 48% of vehicles are 10 years or older
- 64% have over 100K miles
- 14% have over 200K miles
Financial Analysis

Revenue is growing year over year at 11.6%

High corporate value - growth of 23.4% year over year
Financial Analysis

High quality business with capabilities to produce profit every year

![ROI Chart]

- **Year**: 2006 to 2021
- **ROI% Per Year**
  - 2006: 15.00%
  - 2007: 20.00%
  - 2008: 25.00%
  - 2009: 30.00%
  - 2010: 35.00%
  - 2011: 40.00%
  - 2012: 45.00%
  - 2013: 40.00%
  - 2014: 35.00%
  - 2015: 30.00%
  - 2016: 25.00%
  - 2017: 20.00%
  - 2018: 15.00%
  - 2019: 10.00%
  - 2020: 5.00%
  - 2021: 0.00%
Financial Analysis

Last 5 years has seen a CAGR of 20%

Dedicating cash flows to buy back shares
## Financial Analysis

### AutoZone Versus its Peers

<table>
<thead>
<tr>
<th>Identifier (RIC)</th>
<th>Company Name</th>
<th>Market Cap</th>
<th>Free Cash Flow - Actual (FY0, usd)</th>
<th>Earnings Per Share - Mean (FY1, usd)</th>
<th>P/E (LTM)</th>
<th>IBES Actual</th>
<th>Price / Cash Flow Per Share (SmartEstimate) (NTM)</th>
<th>Price / EPS (SmartEstimate) (NTM)</th>
<th>Price / Revenue (SmartEstimate) (NTM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AZO</td>
<td>Autozone Inc</td>
<td>43,768,952,478.01</td>
<td>2,538,744,000.00</td>
<td>124.03</td>
<td>19.11</td>
<td>14.87</td>
<td>17.54</td>
<td>2.54</td>
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</tr>
<tr>
<td>AAPN</td>
<td>Advance Auto Parts Inc</td>
<td>10,179,220,227.48</td>
<td>822,623,000.00</td>
<td>13.00</td>
<td>13.45</td>
<td>8.75</td>
<td>11.81</td>
<td>0.89</td>
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<tr>
<td>ORLY.OQ</td>
<td>O'Reilly Automotive Inc</td>
<td>46,067,857,255.08</td>
<td>2,764,457,000.00</td>
<td>31.84</td>
<td>22.98</td>
<td>18.06</td>
<td>20.88</td>
<td>3.12</td>
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<tr>
<td>ANN</td>
<td>AutoNation Inc</td>
<td>5,851,964,244.58</td>
<td>1,412,000,000.00</td>
<td>24.47</td>
<td>4.52</td>
<td>6.43</td>
<td>5.07</td>
<td>0.22</td>
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<tr>
<td>CPRT.OQ</td>
<td>Copart Inc</td>
<td>26,352,882,869.20</td>
<td>839,235,000.00</td>
<td>4.66</td>
<td>24.77</td>
<td>20.90</td>
<td>23.19</td>
<td>6.98</td>
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<tr>
<td>TSCO.OQ</td>
<td>Tractor Supply Co</td>
<td>22,600,727,917.68</td>
<td>510,289,000.00</td>
<td>9.59</td>
<td>22.47</td>
<td>15.10</td>
<td>19.70</td>
<td>1.53</td>
<td></td>
</tr>
<tr>
<td>GPCN</td>
<td>Genuine Parts Co</td>
<td>21,910,482,464.16</td>
<td>992,149,000.00</td>
<td>7.96</td>
<td>20.04</td>
<td>14.13</td>
<td>18.37</td>
<td>0.99</td>
<td></td>
</tr>
</tbody>
</table>
### Stock Valuation Free Cash Flow Model

#### Two Stage Growth Model
- **Stage 1 Growth Rate**: 11.63%
- **Number of Years in Stage 1**: 3
- **Stage 2 Growth Rate**: 2.00%
- **Number of Years in Stage 2**: 
- **Stage 3 Growth Rate**: Linear
- **Cost of Equity Capital**: 
- **Free Cash Flow, LTM**: $2,900.00

### Free Cash Flow Model

<table>
<thead>
<tr>
<th>k / terminal g</th>
<th>0.50%</th>
<th>1.00%</th>
<th>1.50%</th>
<th>2.00%</th>
<th>2.50%</th>
<th>3.00%</th>
<th>3.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.50%</td>
<td>$3,309.16</td>
<td>$3,681.52</td>
<td>$4,146.96</td>
<td>$4,745.40</td>
<td>$5,543.31</td>
<td>$6,660.39</td>
<td>$8,336.01</td>
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<tr>
<td>6.00%</td>
<td>$2,973.59</td>
<td>$3,275.38</td>
<td>$3,644.24</td>
<td>$4,105.31</td>
<td>$4,698.11</td>
<td>$5,488.52</td>
<td>$6,595.08</td>
</tr>
<tr>
<td>6.50%</td>
<td>$2,693.99</td>
<td>$2,943.12</td>
<td>$3,242.08</td>
<td>$3,607.48</td>
<td>$4,064.23</td>
<td>$4,651.48</td>
<td>$5,434.48</td>
</tr>
<tr>
<td>7.00%</td>
<td>$2,457.42</td>
<td>$2,666.26</td>
<td>$2,913.07</td>
<td>$3,209.25</td>
<td>$3,571.24</td>
<td>$4,023.73</td>
<td>$4,605.51</td>
</tr>
<tr>
<td>7.50%</td>
<td>$2,254.66</td>
<td>$2,432.01</td>
<td>$2,638.91</td>
<td>$2,883.44</td>
<td>$3,176.86</td>
<td>$3,535.50</td>
<td>$3,983.79</td>
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<tr>
<td>8.00%</td>
<td>$2,078.96</td>
<td>$2,231.25</td>
<td>$2,406.95</td>
<td>$2,611.95</td>
<td>$2,854.21</td>
<td>$3,144.93</td>
<td>$3,500.25</td>
</tr>
<tr>
<td>8.50%</td>
<td>$1,925.25</td>
<td>$2,057.27</td>
<td>$2,208.15</td>
<td>$2,382.24</td>
<td>$2,585.35</td>
<td>$2,825.38</td>
<td>$3,113.43</td>
</tr>
</tbody>
</table>

**Average**: $3,553.41
Investment Risks

- Legal and Regulatory Risk
- Market Risk
- Technology Risk
Investment Thesis

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