

# AutoZone

Peter Pacheco | AZO



# Investment Thesis

Current Price - \$2,111.43

Target Price - \$3,553.41

Upside > 68%

Recommendation - BUY

## Key Drivers

### **RISING AVERAGE VEHICLE AGE**

### **EXPANSION INTO LATIN AMERICA**

- Mexico
- Brazil

### **ACCELERATED GROWTH IN COMMERCIAL AND DIY**

- Hubs and Mega Hubs
- Industry growth

# Company Overview

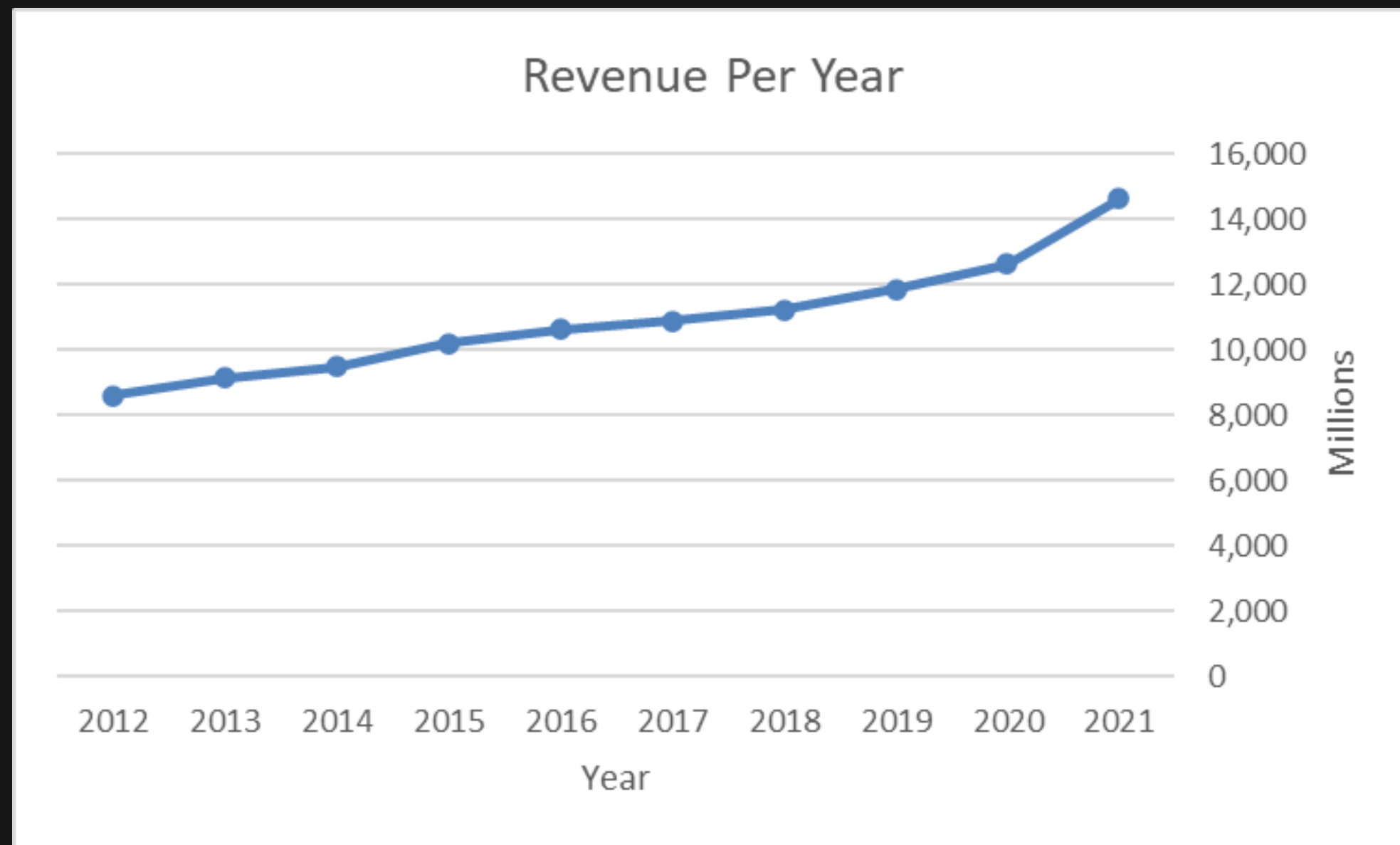
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## KEY STATISTICS

Market Cap (Billions)	40.91
Beta	0.75
Sales (Billions)	16.25
P/E	17.92
P/CF	14.57
ROI%	63.10
ROA%	16.70
ROE%	-92.2%

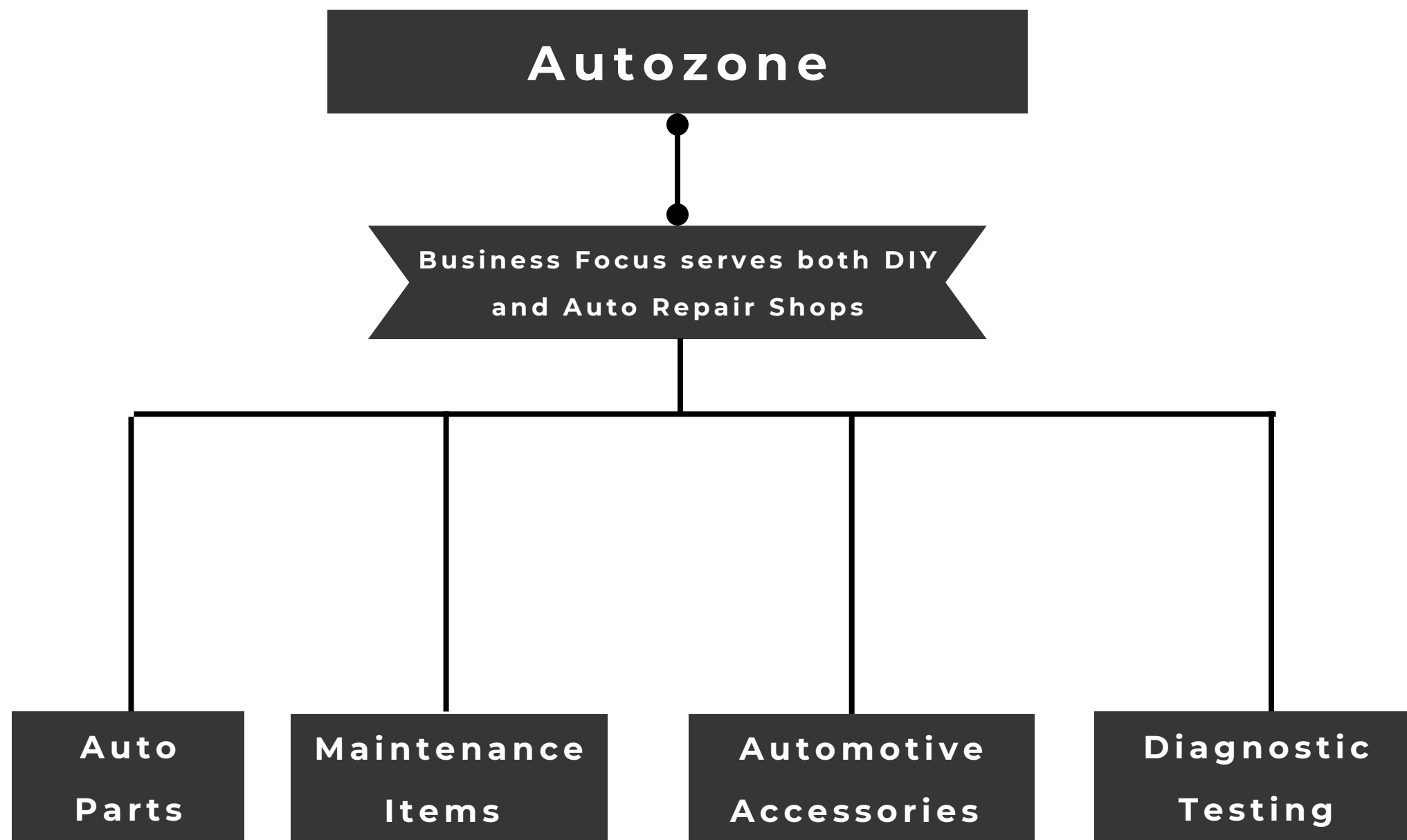
## AZO Stock Performance 2010-2022





# Business Description

- AutoZone has grown to be the leading retailer and a leading distributor of automotive replacement parts and accessories.



# Business Description

- 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

## Satellite Stores

APPROXIMATELY  
40%-50% HARD PARTS

- *Currently around 6,000*
- *Roughly 20,000 Sku's*

## Hubs

APPROXIMATELY 75%  
HARD PARTS

- *Currently 179 Hubs*
- *Roughly 80,000 Sku's*

## MegaHubs

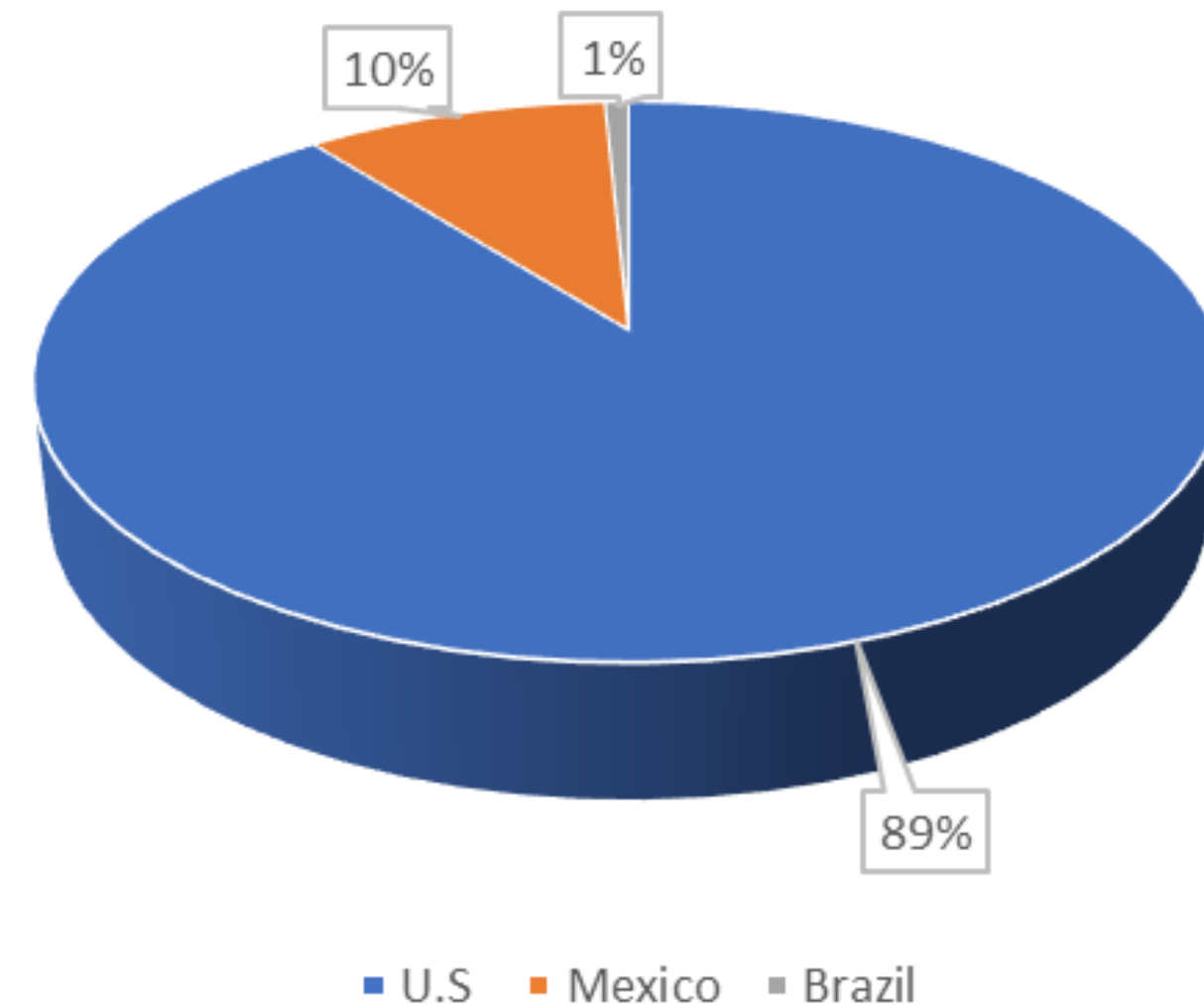
APPROXIMATELY 80%  
HARD PARTS

- *Currently 62 Mega Hubs*
- *Have roughly 100,00 Sku's*

# Business Operation Locations

- 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.

Percentage of Stores Per Region



# U.S AUTOMOTIVE AFTERMARKET INDUSTRY IS A \$420B INDUSTRY

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

# Industry Analysis

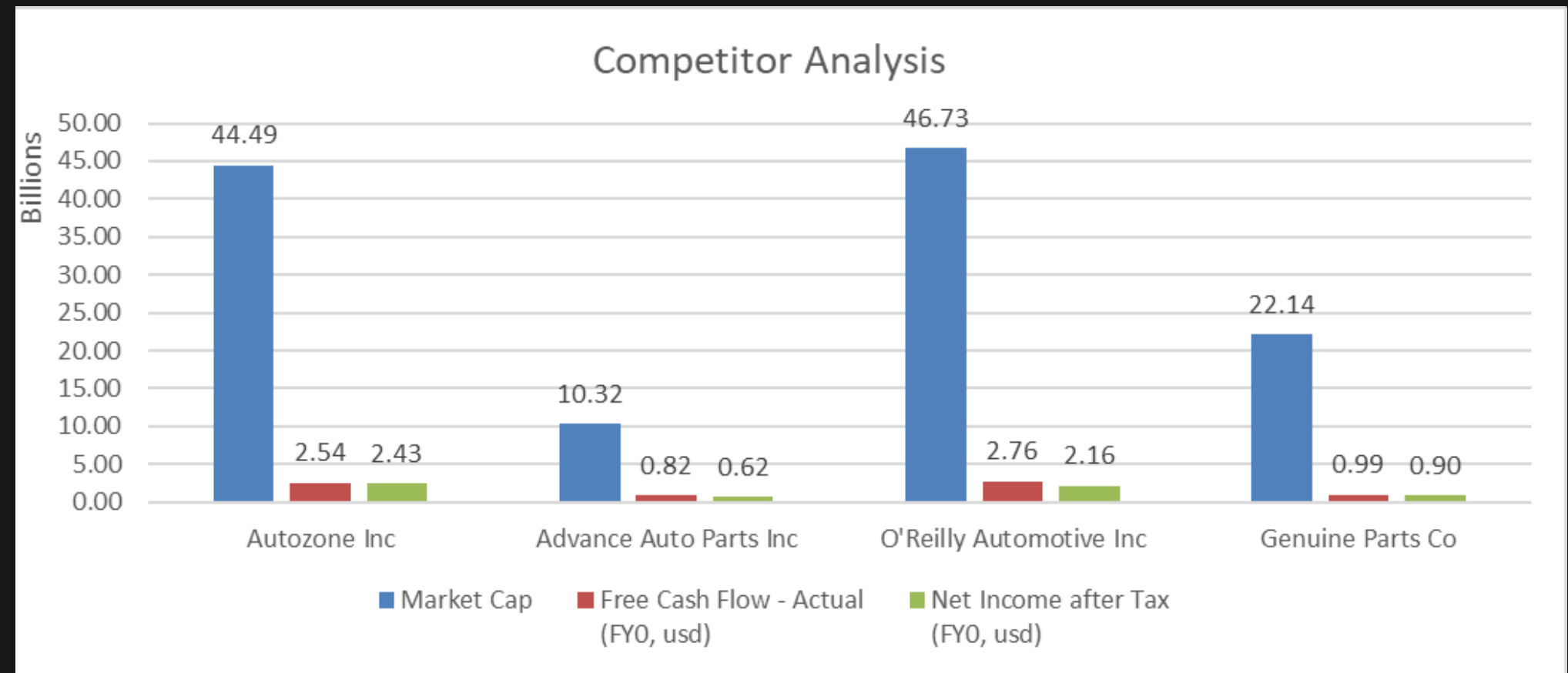
## NEXT-GENERATION VEHICLES

Green energy solutions lead to electrification of cars

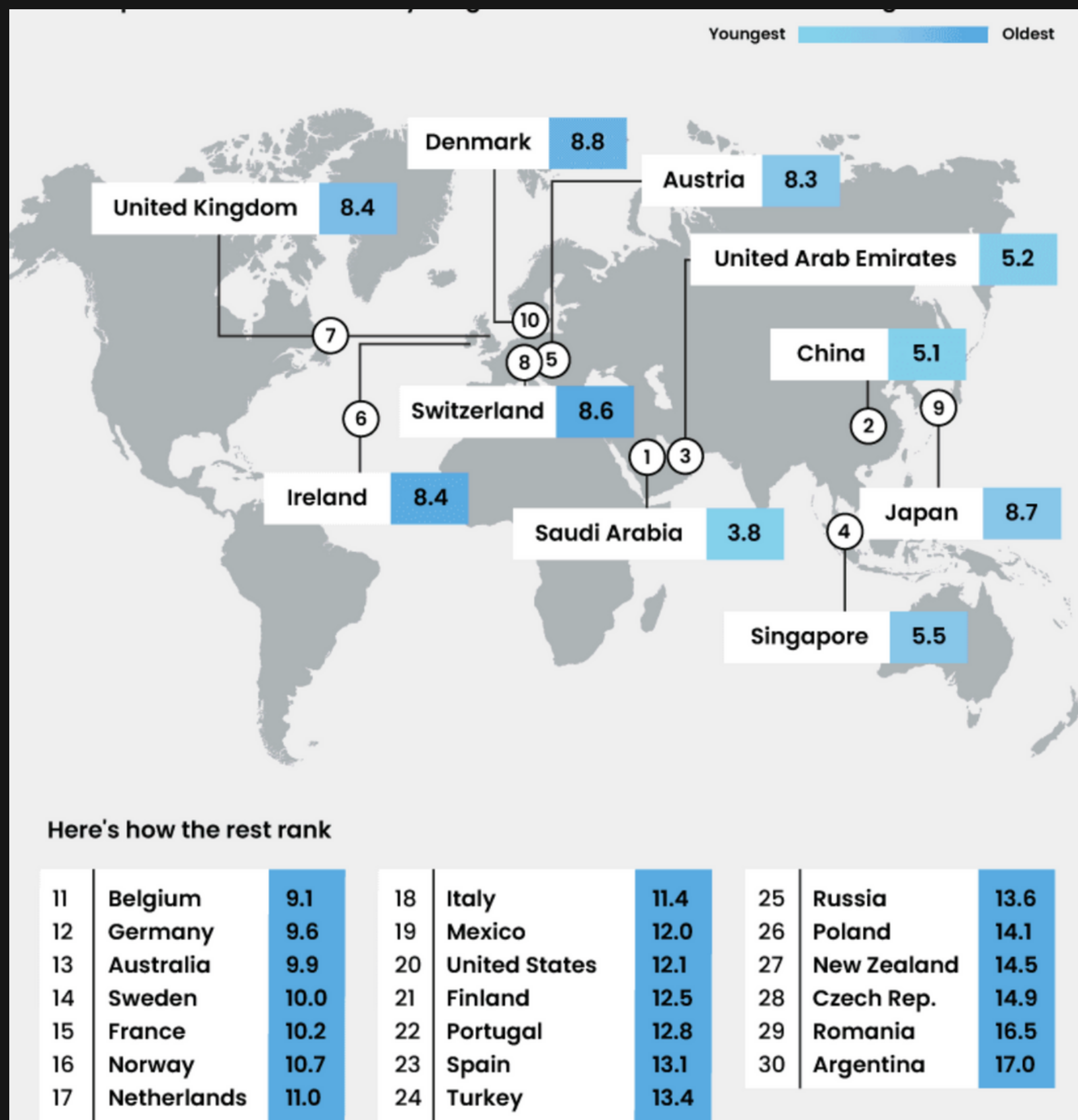
## COMPETITIVE POWER

Entry of new competitors

Industry consolidation and integrations forces







# Within the Industry Cars are Getting Older

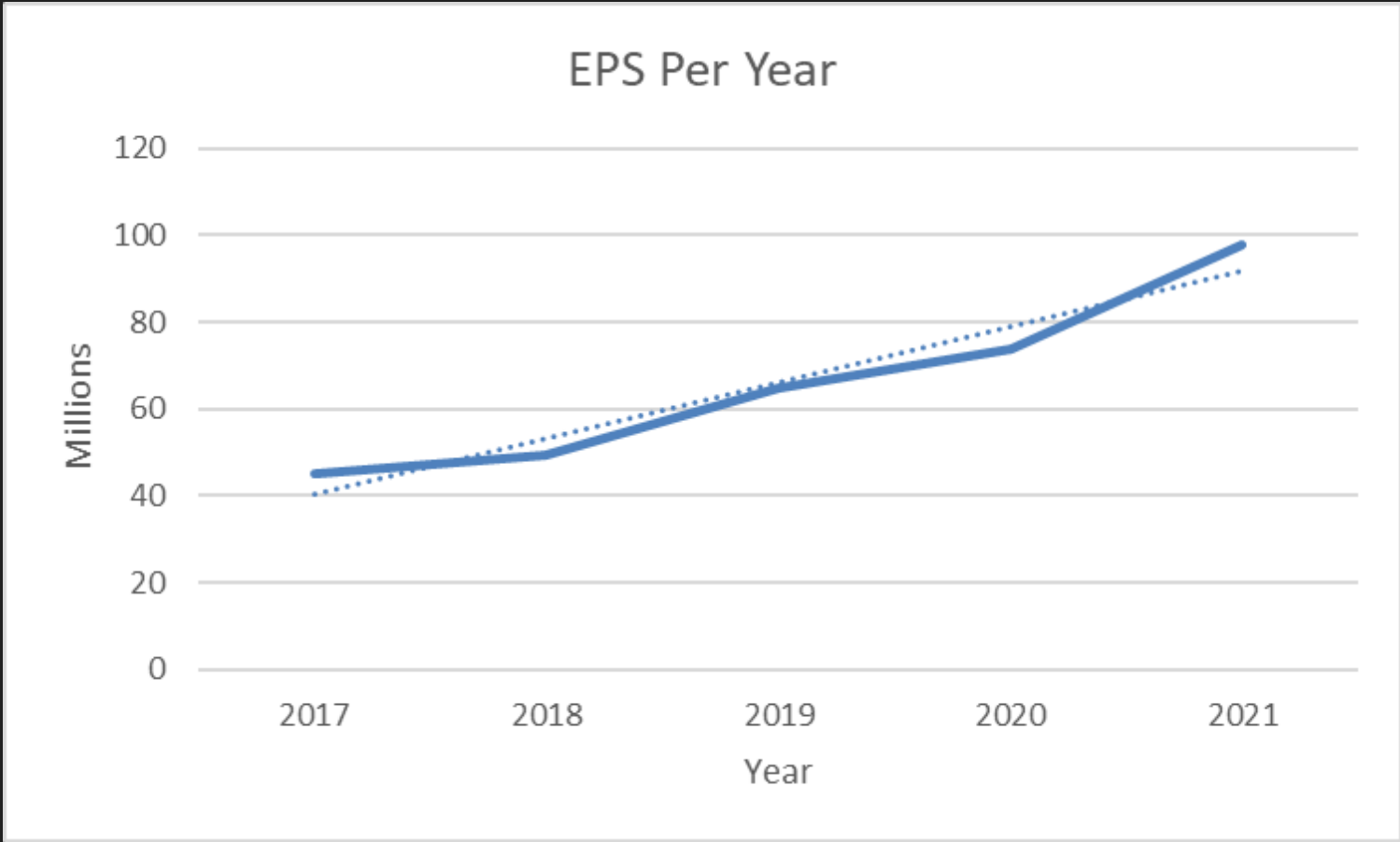
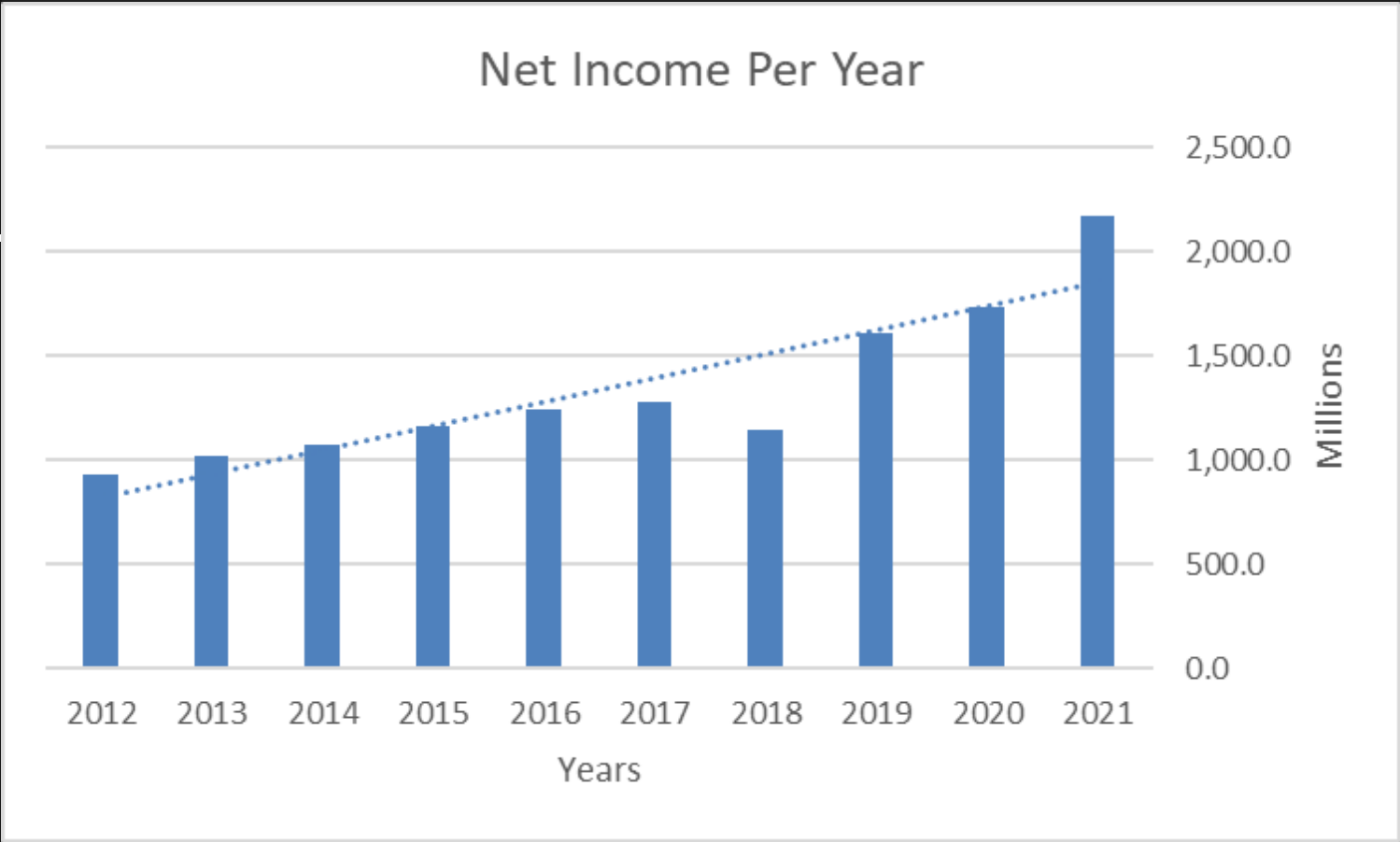
Reporting about (74%) of people are using older vehicles, and do a lot of their own repair work (84% have done some work on their vehicle in past three months):

- 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%

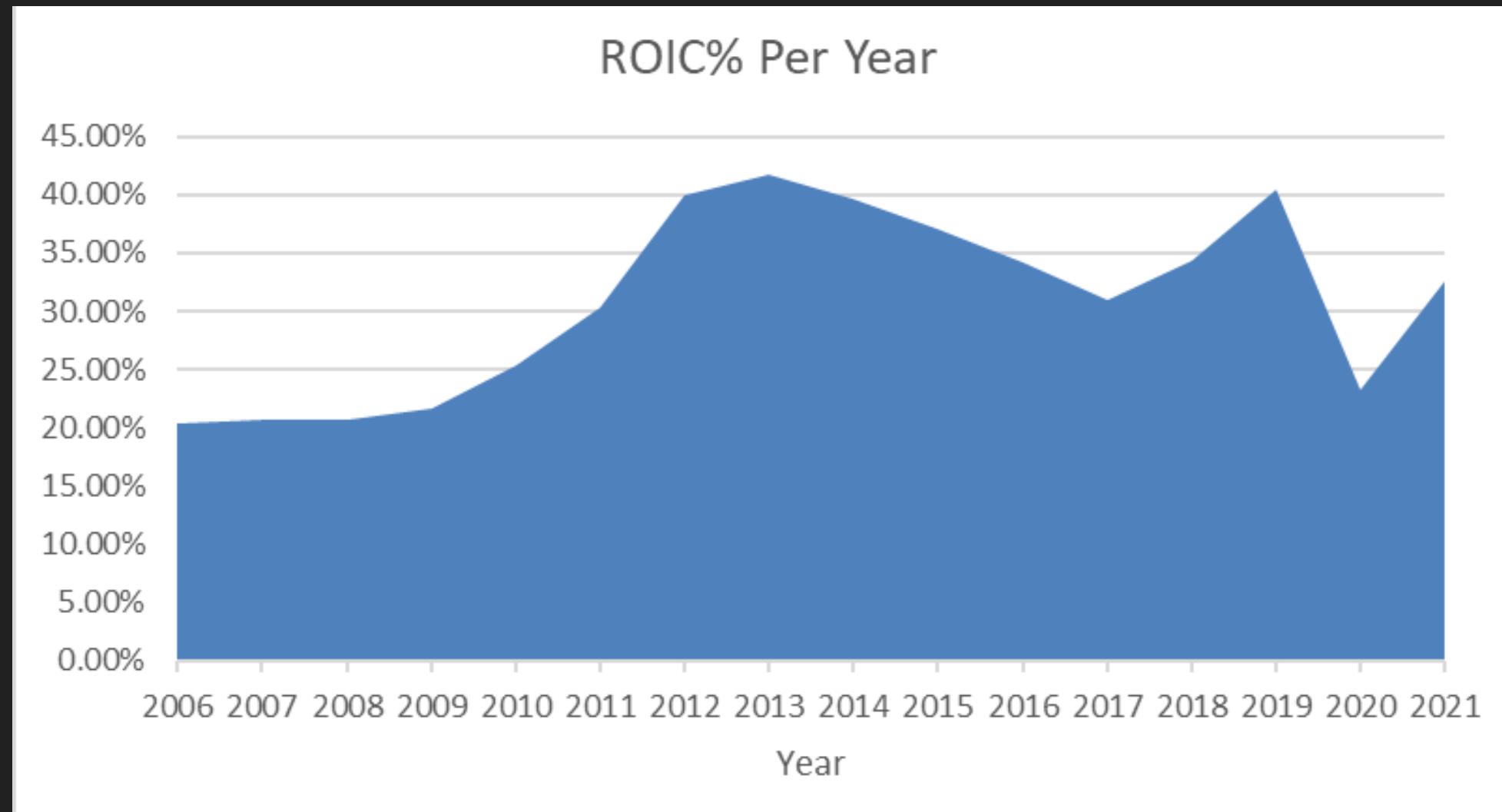
High corporate value - growth of 23.4% year over year



# Financial Analysis

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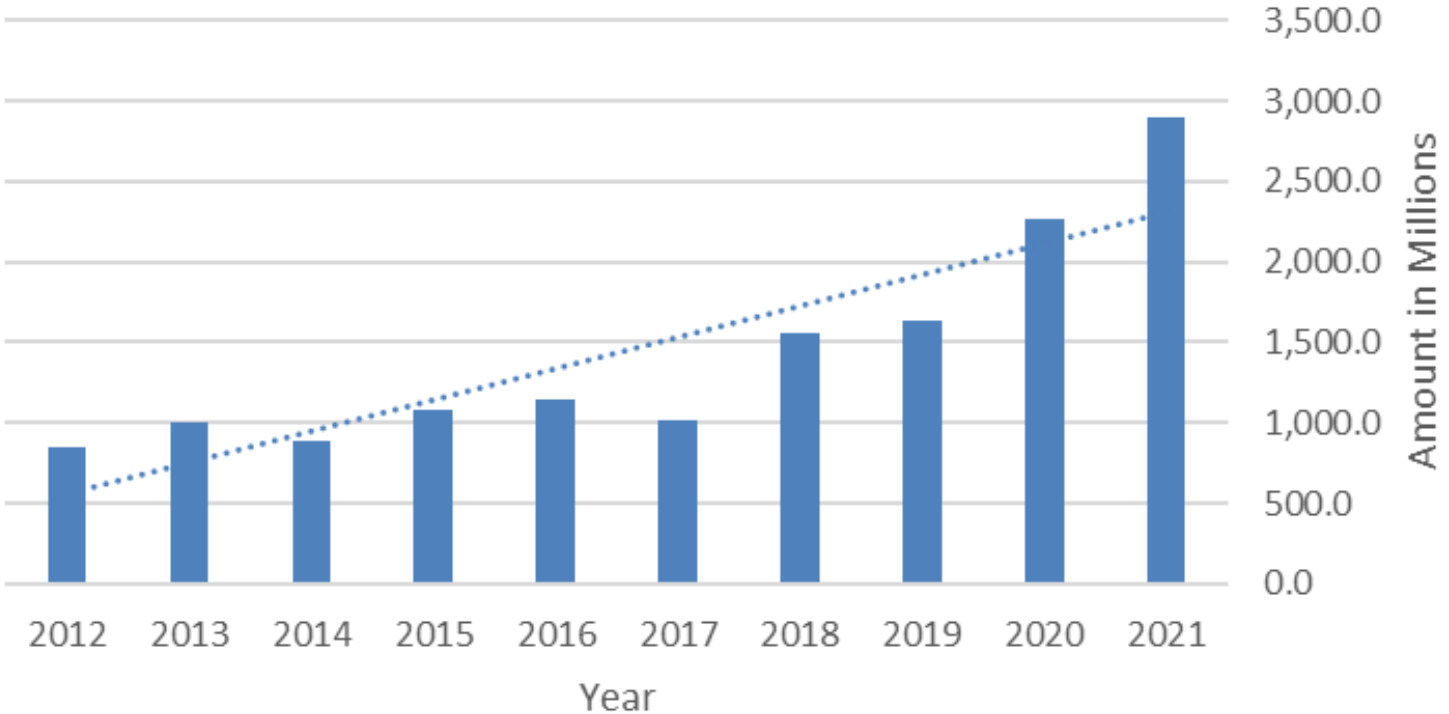
High quality business with capabilities to produce profit every year



# Financial Analysis

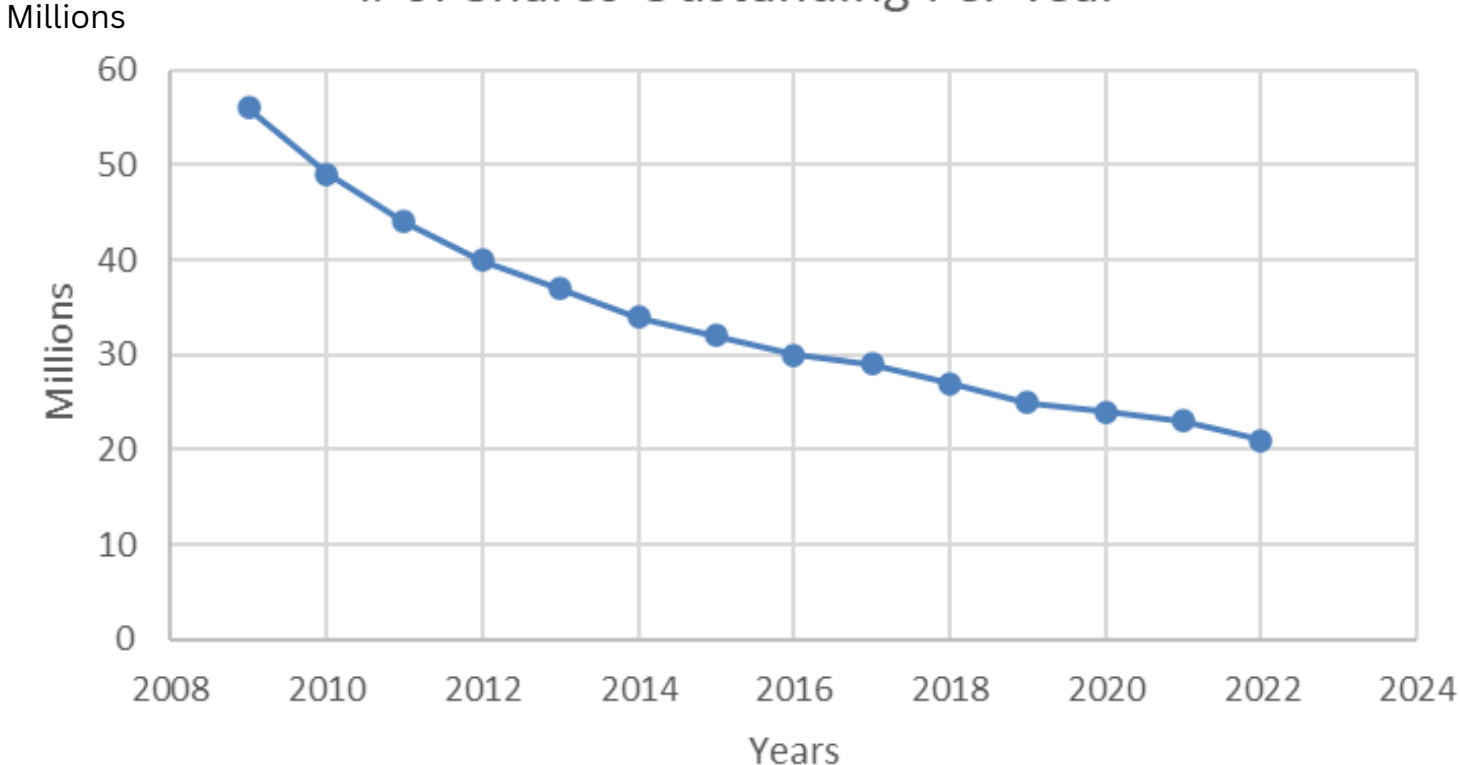
Last 5 years has seen a CAGR of 20%

### Free Cash Flow Per Year



Dedicating cash flows to buy back shares

### # of Shares Outstanding Per Year



# Financial Analysis

## AutoZone Versus its Peers

Identifier (RIC)	Company Name	Market Cap	Free Cash Flow - Actual (FY0, usd)	Earnings Per Share - Mean (FY1, usd)	P/E (LTM) - IBES Actual	Price / Cash Flow Per Share (SmartEstimate <sup>®</sup> ) (NTM)	Price / EPS (SmartEstimate <sup>®</sup> ) (NTM)	Price / Revenue (SmartEstimate <sup>®</sup> ) (NTM)
AZO	Autozone Inc	43,768,952,478.01	2,538,744,000.00	124.03	19.11	14.87	17.54	2.54
AAP.N	Advance Auto Parts Inc	10,179,220,227.48	822,623,000.00	13.00	13.45	8.75	11.81	0.89
ORLY.OQ	O'Reilly Automotive Inc	46,067,857,255.08	2,764,457,000.00	31.84	22.98	18.06	20.88	3.12
AN.N	AutoNation Inc	5,851,964,244.58	1,412,000,000.00	24.47	4.52	6.43	5.07	0.22
CPRT.OQ	Copart Inc	26,352,882,889.20	839,235,000.00	4.66	24.77	20.90	23.19	6.98
TSCO.OQ	Tractor Supply Co	22,600,727,917.68	510,289,000.00	9.59	22.47	15.10	19.70	1.53
GPC.N	Genuine Parts Co	21,910,482,464.16	992,149,000.00	7.96	20.04	14.13	18.37	0.99

	k / terminal g	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
	5.50%	\$3,309.16	\$3,681.52	\$4,146.96	\$4,745.40	\$5,543.31	\$6,660.39	\$8,336.01
	6.00%	\$2,973.59	\$3,275.38	\$3,644.24	\$4,105.31	\$4,698.11	\$5,488.52	\$6,595.08
	6.50%	\$2,693.99	\$2,943.12	\$3,242.08	\$3,607.48	\$4,064.23	\$4,651.48	\$5,434.48
	7.00%	\$2,457.42	\$2,666.26	\$2,913.07	\$3,209.25	\$3,571.24	\$4,023.73	\$4,605.51
	7.50%	\$2,254.66	\$2,432.01	\$2,638.91	\$2,883.44	\$3,176.86	\$3,535.50	\$3,983.79
	8.00%	\$2,078.96	\$2,231.25	\$2,406.95	\$2,611.95	\$2,854.21	\$3,144.93	\$3,500.25
	8.50%	\$1,925.25	\$2,057.27	\$2,208.15	\$2,382.24	\$2,585.35	\$2,825.38	\$3,113.43
Average		<b>\$3,553.41</b>						

<b>Free Cash Flow Model</b>	
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	
Growth Path	Linear
Cost of Equity Capital	
Free Cash Flow, LTM	\$2,900.00

# Stock Valuation Free Cash Flow Model

# Investment Risks

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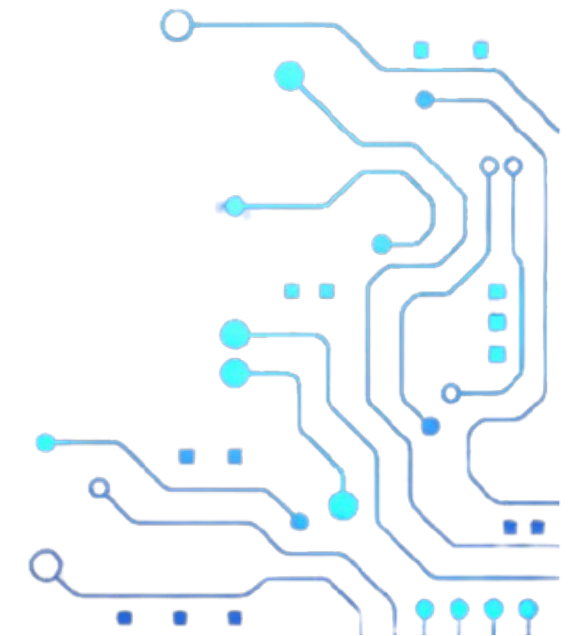
**LEGAL AND  
REGULATORY RISK**



**MARKET RISK**



**TECHNOLOGY RISK**



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