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### Financial Summary

(In Millions except for per share data)

**Price:** \$83.26

**Price Target:** \$105.53

**52-Week Range:** \$103.53 -\$73.80

**Shares Outstanding:** 88.71

**Market Cap.:** \$7,386

**Beta:** 0.93

**EPS (CFY):** \$5.83

**EPS (NFY):** \$6.58

**AZO v. Comparable Avg.**

**PEG:** 1.15 v. 1.66

**5yr Growth in EPS:** 57.4% v. 31.2%

**P/E Ratio (CFY):** 14.72 v. 15.29

**P/E Ratio (NFY):** 13.21 v. 13.48

**Gross Margin (LFY):** 48.1% v. 33.8%

**EBITDA Margin:** 20.8% v. 8.7%

**ROE:** 138.5% v. 14.8%

**ROA:** 27.9% v. 12.5%

Source: Value Line, Multex Investor

### Company Profile

Discretionary, Auto Parts

AutoZone, Inc. (AZO) is a specialty retailer of automotive parts and accessories, with most of its sales to do-it-yourself customers. As of August 30, 2003, the Company operated 3,219 domestic auto parts stores in 48 states and the District of Columbia and 49 auto parts stores in Mexico. AutoZone also sells parts and accessories online at autozone.com. Each of its stores carries a product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items and accessories. The Company also has a commercial sales program in the United States that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers and service stations. In addition, AutoZone sells automotive diagnostic and repair software.

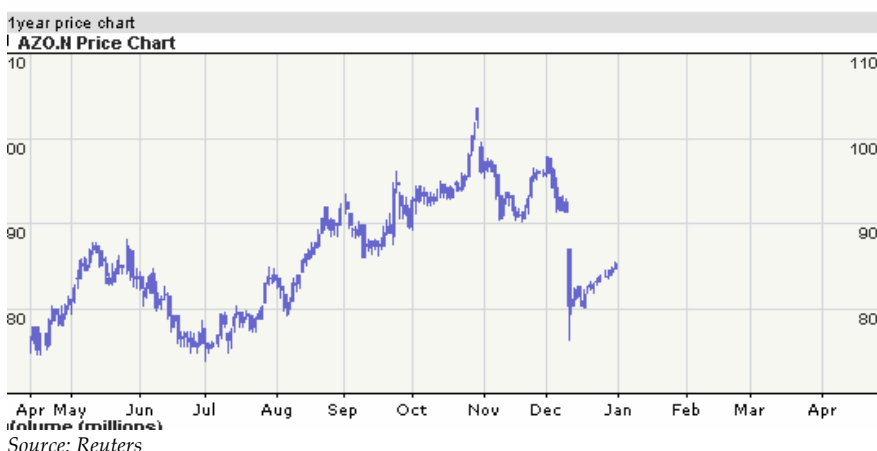
### Fundamental Highlights

- Offers diversification in our discretionary holdings through investment in the low volatility automotive industry.
- Industry characterized by consistent demand and potential market share growth.
- Top line growth drivers in place to meet management goals.

### Valuation Highlights

- Highest operating margins and EBITDA margins among comparable companies.
- PEG ratio of 1.15 is well below the comparable average of 1.66.
- 21.1% undervalued on a DCF basis.

Exhibit 1



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## **Hard Lines Sector**

Year-over-year personal income growth and sequential employment gains are two of the leading overall consumer spending drivers. Economic trends and the expectations of the Practicum Economic Outlook team indicate gradual improvement in both of these trends. Overall, consumer sentiment is running 24% higher in hard lines relative to last year. Container shipping volumes can be a good leading indicator of performance for hard line and discount store retailers. Discount stores, as a group, and most hard line sectors exhibit strong correlations with world wide import volumes to the U.S. These correlations appear to be strengthening as retailers increasingly rely on merchandise imported from overseas suppliers. AutoZone is among those with the highest correlations (greater than .75) to world wide import volumes to the U.S. The import trends are seasonal but, on a two year comparative basis, the trends are healthy.

## **Auto Parts Industry**

Auto parts retailing is a \$48 billion commercial market. There are attractive expansion opportunities given that the top ten competitors have less than 20% of total market share. The auto parts industry is somewhat seasonal in nature, with the highest sales generally occurring in the summer months of June through August and the lowest sales generally occurring in the winter months from December through February. The industry offers stability, though not especially high growth. The Automotive Aftermarket Industry Association (AAIA) data shows that industry growth is historically 4-5%. Growth is rarely explosive, but volatility is low. A large portion of category spending is non-discretionary and growth is relatively predictable. Demand in the auto parts industry is not as strongly linked as demand in other consumer industries to the traditional drivers of consumer spending. AZO offers a sound step as we wean away from staple stocks and into the discretionary market. Given that half of the US car population is over 7 years old and no longer under manufacturer warranty, this discretionary industry has remarkably stable demand. In terms of size and market profit

return, AZO is the leader in the automotive market.

## **Company Overview**

AutoZone is a Memphis-based auto parts chain that opened its first store in Forrest City, AR, on July 4, 1979. The Fortune 500 Company finds its success by operating a portfolio of over 3,000 stores, not a single branch is franchised. The Company continues to open more stores per year than any other retail auto parts chain in the nation.

The AutoZone stores generally open at 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 8 p.m. on Sunday. Some branches are open 24 hours, while others operate on an extended hour schedule of 7 a.m. until midnight seven days a week. Approximately 85%-90% of each store's square footage is selling space, of which 40%-45% is dedicated to hard parts inventory. The remaining selling space contains displays of accessories and maintenance items. Roughly 2,600 of the AutoZone's auto parts stores are freestanding, with the balance located within strip shopping centers.

## **Products and Services**

AZO stocks a broad line of auto replacement parts ranging anywhere from spark plugs to complete engines, as well as accessories, chemicals and motor oil. The Company's stores generally offer between 21,000 and 23,000 stock-keeping units covering a range of vehicle types. Each store carries the same basic product line, but AutoZone tailors its inventory to the makes and models of the automobiles in each store's trade area.

A typical inventory at one of the AutoZone branches consists of hard parts, maintenance equipment and accessories. Hard parts offered by the Company include: air conditioning, compressors, alternators, batteries, brake drums and rotors, shoes and pads, carburetors, clutches, CV axles, engines, fuel pumps, mufflers, shock absorbers, starters, struts and water pumps. Maintenance items are also sold by AZO and consist of: antifreeze, belts and

hoses, brake fluid, chemicals, fuses, lighting, oil, oil and fuel additives, oil, air and fuel filters, power steering fluid, refrigerant, spark plugs, transmission fluid, wash and wax and windshield wipers. The Company also stocks accessories including; air fresheners, cell phone accessories, decorative lighting, dent filler, floor mats, neon, mirrors, paint, seat covers, steering wheel covers, stereos, sunglasses, tools and toys. In addition, AutoZone offers automotive diagnostic and repair software through alldatadiy.com and automotive parts and accessories through AutoZone.com.

Each branch offers a variety of services, while all stores provide free testing of batteries, starters, alternators, voltage regulators and control modules under the "Check engine light" program. Customers are also able to bring their used engine oil to the stores for recycling.

Another service offered is AutoZone's Loan-A-Tool program, which allows do-it-yourself (DIY) customers to borrow specialty tools required for a number of one-time repair jobs. The customer pays for the tool upon checking it out from the store and receives a full refund when it is returned.

AZO differentiates itself through AZ Commercial, a program that sells parts and products to local, regional and national repair garages, dealers and service stations since 1996. As a part of the program, AutoZone offers credit and delivery to some of its commercial customers who are able to receive shipments directly from the Company's distribution centers. AZ Commercial currently operates out of 1,941 stores and establishes the Company in the do-it-for-me (DIFM) segment. Through these hub stores, the AZO offers a selection of parts and products desired by professional technicians. Stores can also be used as an additional source of inventory for local garages and repair shops, while slower-selling products are generally available through the Company's vendor direct program, which offers overnight delivery.

#### **Customer Service**

"AutoZoners always put customers first" and strive to exceed customer expectations. This is

the first line of AutoZone's pledge and employees consider it the most important service they offer. The AZO shopping experience is created with the customer in mind. Many of the services ("check engine light") are free of charge, adding value to the customer. AZO makes a conscious effort to constantly adapt the stores to bring customers the newest and most exciting products. The Company wants customers know that it will always find a great selection of quality merchandise at low prices when they enter any AutoZone store.

#### **AutoZone Customers**

Although AZO has a significant presence in the commercial market, their target market remains the do-it-yourself customer. According to Tim Gore, Greenville Store Manager, their customer tends to be either blue collar workers or automotive enthusiasts. Like the beer industry, customers are loyal to their automotive parts provider. There is a trial process before a customer chooses his/her automotive parts store of choice. AutoZone is able to capture more market share by competing on price and selection.

#### **Business Model Overview**

AutoZone has maintained industry leadership within the automotive parts industry. Although the Company is recognized as part of the consumer discretionary sub-sector, the industry is characterized as having low barriers to entry. Thus, firms within the automotive parts industry are driven to strive to differentiate themselves from competitors. AZO has continued to demonstrate dedication and excellence in providing customer service, breadth of product lines, multiple channels of distribution, and continued product innovation. We believe that AZO has captured the lead in the industry with these attributes and will continue to do so.

The Company's initiative to make the "DIY" consumer the core customer has resulted in strong customer service. Moreover, AZO's current plan is to standardize all inventory available in 3,000 + stores, providing for as much in-stock availability as possible. The Company has decided to carry lines of

products that may be specifically characteristic of various geographic or demographic regions, effectively exploiting regional market trends. AZO's goal to implement more-friendly and customer-oriented stores is indicative of management's intentions to increase customer service. The Company has continued to market itself effectively to the home-repair consumers as well as those active in related hobbies. Through AZ Commercial, the Company has expanded its customer base through developing relationships with commercial firms such as repair garages, dealers, and service stations on the local, regional, and national levels, capturing greater economies of scale. AZO's commitment to maintaining industry leadership has resulted in innovative services and products for its core customers through repair software and expanded channels of distribution of auto parts selection through the Company website.

### **Competition**

The automotive parts industry is rather fragmented. AutoZone's industry leadership is characterized by the highest returns and best operating margin within the sector. The Company is expanding its margin at a more rapid pace than its lower-margin competitors. Moreover, AZO seeks to expand its store base as 195 new stores are scheduled to be opened in 2004, 31 more stores than they opened in 2003. AZO also has plans to continue expanding product line breadth; Duralast, a new tool line for vehicle repair, will be frequently expanded. AZO's only competitive challenge to acknowledge is Advanced Auto Parts (AAP). AAP has made respectable strides through its investment in inventory systems and customer service. AAP has attempted to narrow the large gap between its position and AZO's leadership through a new national advertising campaign and a program to refurbish stores. However, while consensus believes that AAP will be AZO's closest long-term competitor, AZO currently has a competitive advantage in the industry with plans to increase the competitive gap. AZO consistently gains economies of scale from national advertising due to the Company's larger market share. Moreover, AutoZone continues to differentiate its advertising focus, aiming the upcoming

prime season to focus on chemical sales. Management is excited about this campaign as it will demonstrate the Company's product breadth, as well as drive traffic at a slight expense to margins.

### **Industry Ranking**

1. AutoZone Inc.
2. Advanced Auto Parts
3. Pep Boys Auto
4. O'Reilly Auto Parts

### **Investment Thesis**

#### **Due Diligence**

We were able to speak with the store manager, Tim Gore, at the Greenville AutoZone branch. Upon entering the store, we were immediately impressed with the employees' concern for customer service. The store was well staffed with employees providing an array of services to keep the business operating. Although AZO is a DIY store, we were amazed to see the level of customer assistance.

Mr. Gore praised the success of the refresh program which began here in Texas under the slogan, "Take Back Texas." The program's sensational outcome has inspired management to expand the program to a national level. This process is designed to change the format of AutoZone stores from a "bar-like" set-up to a more open and customer-oriented layout. At these new stores, customers are able to interact with the employees and see what goes on behind the counter.

In addition to a personal interview, we accessed a recent conference call with AutoZone's corporate CEO. He addressed the top line growth strategy as well as the share buy-back program. AZO is repurchasing \$872 million shares (12.2%) instead of reinvesting or paying a dividend simultaneously to maintain their current debt rating and lower their cost of capital.

#### **Risks**

- Litigation: AZO is currently being sued by SCO Group Inc. for copyright infringement with respect to Linux and Unix licensing. IBM and

DaimlerChrysler Corp. are defendants in similar suits which must be reconciled before AZO's case can be brought to court. However, this is a minor concern as we feel SCO is suing customers in an attempt to take the focus off their \$2.25 million last quarter loss.

- New account regulation: Updated SEC rules regarding vendor funding may squeeze operating and gross margins. This is being implemented across the entire consumer retail sector, so any risk to AZO is not unique.
- Financing: Debt financing will continue to be AZO's main source of raising capital, but strong cash flows should balance this risk.
- Mature player: AZO is an established company in the industry. Its management recognizes that stores are older than their competitors, possibly giving competitors the opportunity to gain market share. In response, AZO is initiating a nation-wide "refresh" program to compete.

### Highlights

- Top line growth drivers:
  - New stores: Management is focused on generating wider operating margins and expanding the store base. AZO is the fastest growing company in the industry in terms of store expansion and plans to open 195 new stores in 2004. In addition, AZO's same store sales for 2003 increased by 2% compared to the 1% increase experienced by competitors.
  - Refresh program: AZO is initiating a nation wide same-store renovation program to compete with new entrants in the industry.
  - Advertising: A more aggressive, well-timed advertising campaign will be introduced this summer to capitalize on the peak season sales from June-August.

Although demand is fairly consistent in the industry, customer awareness is heightened during the summer months as highway travel and leisure time increase.

- Inventory management: Strategic management of inventory is key in this industry. To be successful, auto parts companies must maintain well-stocked stores. AZO seeks to simultaneously normalize and broaden their inventory selection.
- Expanding product lines: AZO has introduced a new line of tools called Duralast, targeted to DIY customers. This is just one example of how AZO is continually adding new products to keep up changing technology.
- Loyal customers: Although customers are price-sensitive, the industry is characterized by high levels of customer loyalty. Customers may "shop around" initially, but will choose the store that best fits their needs in the end. AZO has an advantage because they target DIY customers who will always be around. These customers are generally either price-sensitive, blue collar workers with automotive knowledge or automotive enthusiasts who dedicate their free-time to tinkering with cars.
- Share buy-back: We believe now is a good time to invest in AZO because the share buy-back program increases the appreciation potential of the stock. To some investors, the buy-back may signal concerns however, we believe that the current uncertainty offers a chance for us to "buy low." Looking at the qualitative information and valuation AZO has the programs in place to continue to capture more market share.
- Economies of Scale: AZO is able to compete on price because of its national presence. The Company can reap the benefits from inventory

management, national advertising programs and buyer power (i.e. offering vendor discounts).

Sources: Merrill Lynch, Raymond James, autozone.com, AutoZone Investor Relations, UBS Paine Weber, Wall Street Journal

## Valuation

### Summary and Methodology

In order to value AutoZone Inc. we performed a comparable company analysis and a discounted cash flow analysis. Both methods of valuation indicate that AutoZone is undervalued.

### Comparable Company Analysis

#### Exhibit 2

Company Name Ticker	Consumer Discretionary/Staple <i>Equity Profiles Page 1 of 2</i> (Dollars in Millions)									
	Auto Zone AZO	O'Rielly ORLY	Genuine Parts GPC	Advanced Auto Parts AAP	Auto Nation AN	High	Low	Mean	Median	
Latest Fiscal Year End Date <i>(Per Share Income Statement Data)</i>	8/31/2003	12/31/2003	12/31/2003	1/3/2004	12/31/2003					
LTM EPS Date	3/30/2004	3/30/2004	3/30/2004	4/13/2004	4/13/2004					
LTM EPS*	\$3.96	\$1.84	\$2.03	\$1.66	\$1.75	\$3.96	\$1.66	\$1.82	\$1.84	
CFY EPS Estimate	\$5.83	\$2.19	\$2.18	\$2.57	\$1.41	\$5.83	\$1.41	\$2.09	\$2.19	
NFY EPS Estimate	\$6.50	\$2.59	\$2.32	\$3.01	\$1.57	\$6.50	\$1.57	\$2.37	\$2.59	
<i>(Balance Sheet Data - Most Recent Quarter):</i>										
Total Debt (incl. ST Debt and leases)	\$ 1,786.90	\$ 121.90	\$ 677.60	\$ 476.10	\$ 3,634.20	\$ 3,634.20	\$ 121.90	\$ 1,227.45	\$ 677.60	
Total Common Equity (Book Value)	\$ 373.80	\$ 784.30	\$ 2,312.30	\$ 631.20	\$ 3,949.70	\$ 3,949.70	\$ 373.80	\$ 1,919.38	\$ 784.30	
<i>(Stock Data): Stock Price As Of:</i>										
Stock Price	3/30/2004	3/30/2004	3/30/2004	4/13/2004	4/13/2004	\$85.87	\$17.12	\$32.59	\$39.38	
Common Shares Outstanding	89	55	174	74	270	\$269.71	\$54.70	\$143.07	\$88.71	
Market Capitalization (MV of Equity)	\$ 7,617.53	\$ 2,154.09	\$ 5,738.52	\$ 3,020.21	\$ 4,617.44	\$7,617.53	\$2,154.09	\$3,882.56	\$4,617.44	
Net Debt	\$ 1,780.20	\$ 100.80	\$ 662.20	\$ 464.60	\$ 3,463.40	\$3,463.40	\$100.80	\$1,172.75	\$662.20	
Total Mkt. Capitalization (Tot. Net Debt+MV of Equity)	\$ 9,397.73	\$ 2,254.89	\$ 6,400.72	\$ 3,484.81	\$ 8,080.84	\$9,397.73	\$2,254.89	\$5,055.31	\$6,400.72	
<i>(Financial Ratios excl. debt ratios-see Risk Section)</i>										
LFY Gross Margin	48.1%	45.0%	31.9%	45.9%	12.4%	48.1%	12.4%	33.8%	45.0%	
LFY EBITDA Margin	20.8%	16.5%	8.4%	8.5%	1.3%	20.8%	1.3%	8.7%	8.5%	
ROE	138.5%	12.8%	14.4%	19.8%	12.1%	138.5%	12.1%	14.8%	14.4%	
ROA	27.9%	17.5%	15.6%	15.1%	1.9%	27.9%	1.9%	12.5%	15.6%	
Receivable Turnover	124.9	14.7	7.8	41.2	24.4	124.88	7.79	22.02	24.39	
Inventory Turnover	3.6	2.7	3.9	3.1	6.4	6.42	2.73	4.06	3.61	
Current Ratio	0.9	2.8	3.4	1.4	1.0	3.36	0.95	2.16	1.44	
<i>(Growth/Return):</i>										
Historical 3 Year Revenue Growth Rate	6.8%	19.3%	0.3%	15.2%	-2.0%	19.3%	-2.0%	8.2%	6.8%	
Historical 3 Year EPS Growth Rate	38.7%	22.4%	-0.3%	79.3%	24.8%	79.3%	-0.3%	31.5%	24.8%	
CFY - NFY EPS Growth Rate	11.4%	18.3%	6.4%	17.1%	11.3%	18.3%	6.4%	13.3%	11.4%	
Proj. Growth in EPS 5 Years	57.4%	19.1%	-1.2%	90.6%	16.3%	90.6%	-1.2%	31.2%	19.1%	
<i>(Risk):</i>										
Beta	0.93	0.77	0.42	NA	0.68	0.93	0.42	0.62	0.73	
LT Debt / Market Capitalization (MV of Equity)	0.20	0.06	0.11	0.14	0.18	0.20	0.06	0.12	0.14	
LT Debt / Common Equity (BV of Equity)	4.14	0.15	0.27	0.67	0.20	4.14	0.15	0.32	0.27	
<i>(Valuation):</i>										
MV of Equity / Book Value	20.38	2.75	2.48	4.78	1.17	20.38	1.17	2.80	2.75	
LTM Price / EPS Ratio ("P/E")	21.68	21.46	16.28	24.63	9.78	24.63	9.78	18.04	21.46	
CFY Price / EPS Ratio ("P/E")	14.72	17.98	15.13	15.91	12.14	17.98	12.14	15.29	15.13	
NFY Price / EPS Ratio ("P/E")	13.21	15.20	14.22	13.58	10.90	15.20	10.90	13.48	13.58	
CFY P/E to CFY-NFY EPS Growth Rate	1.29	0.98	2.36	2.36	0.93	2.36	0.93	1.66	1.29	
CFY P/E to Proj. Growth in EPS 5 Years	0.26	0.94	NA	0.18	0.74	0.94	0.18	0.62	0.50	

### Financial Ratio Analysis

AutoZone's comparables outperform industry averages; this can be seen in their low P/E ratios of 14.72 CFY and 13.21 NFY relative to the industry mean of 15.29 CFY and 13.48 NFY. The same trend is observed when compared to AZO's top competitor, Advanced Auto Parts. AutoZone's gross margins and EBITDA margins also indicate better performance than competitors.

### Discounted Cash Flow Analysis

Based on the current stock price, revenues must grow at 4.5% annually into perpetuity. Given the historical industry growth rate and future expectations, we find this growth realistic and recommend buying this stock. We feel that AZO is fairly valued at \$105.53, near the 52-week high. AZO's current price of \$83.26 is indicative that the stock is undervalued by 21.1%

## Drivers

- We used a conservative revenue growth rate of 4.5%. This constant growth rate is slightly above the 2003 rate due to a 3% expected same store sales and the opening of 195 stores over the next few years. 4% growth rate is a median of the historical growth rates. Accounting for future growth, we consider the 4.5% rate in our DCF analysis to be an accurate projection.
- We expect the Company to maintain the same margins; thus, we have kept the cost of goods sales growth at the same rate as revenue.
- SG&A is growing at an initial rate of 6% due to increasing pressure and tapers to a rate of 4.5% in 2009. Operating margins are expected to slip as much expense is being put into the refurbishment of its stores and a national advertising campaign.
- With management's goal to standardize inventory, the Company will recognize an increase in inventory levels over the current levels of inventory computed as a percentage of the costs of goods sold. This increase is grown at a gradual rate from 5% to 11%.
- Depreciation is kept at 6.4%, a constant percentage of PPE.
- Capital expenditures are kept at a constant percentage of revenue at 3.34%
- Accounts payable turnover is .45.
- The Thompson method to regress the Beta of .85 to .93 was used.
- A terminal growth rate of 3% was implemented in an attempt to be conservative.
- We assumed a corporate tax-rate of 37.5%.

### Exhibit 3

#### Autozone Inc.

#### WACCAT Calculation

Risk free rate	2.5%
Market premium	6.0%
Beta (Valuline)	0.85
Beta(Thompson Method)	0.93
Tax rate	37.5%
Kd	5.5%
After tax Kd	3.4%
Ke	8.1%
Wd	0.21
We	0.79
WACCAT	7.1%
Terminal growth rate	3.0%



## Exhibit 4

### Autozone Inc.

#### Assumptions/Drivers

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E
Revenue growth	2.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
COGS growth	-0.3%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
SG&A growth	0.1%	6.0%	6.0%	6.0%	5.5%	5.0%	4.5%	4.5%
Interest expense / Interest Bearing debt	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Depreciation / Net PP&E	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Cash Turnover	814.5							
AR Turnover	124.9							
COGS / Inventories	1.9							
Percent Increase in Inventory	0.05	0.05	0.06	0.07	0.08	0.09	0.10	0.11
Other Current Assets/ Revenue	0.0043							
Cap Ex / Revenue	3.34%							
LT Debt	Plug							
Accounts Payable / COGS	0.45							

### Autozone Inc.

#### Earnings Statement Summary

(\$ in millions)

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E
Revenues	5,457	5,703	5,959	6,227	6,508	6,801	7,107	7,426
COGS	2,942	3,074	3,213	3,357	3,509	3,666	3,831	4,004
Gross Profit	2,515	2,628	2,746	2,870	2,999	3,134	3,275	3,423
<i>Growth %</i>	5.9%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
<i>Margin %</i>	46.1%	46.1%	46.1%	46.1%	46.1%	46.1%	46.1%	46.1%
SG&A	1,488	1,577	1,671	1,772	1,869	1,963	2,051	2,143
EBITDA	1,028	1,051	1,075	1,098	1,130	1,172	1,224	1,279
<i>Growth %</i>		2.3%	2.3%	2.2%	2.9%	3.7%	4.5%	4.5%
<i>Margin %</i>	18.8%	18.4%	18.0%	17.6%	17.4%	17.2%	17.2%	17.2%
D&A	110	115	120	126	132	138	144	151
EBIT	918	937	955	973	998	1,034	1,080	1,129
<i>Growth %</i>	19.0%	2.0%	2.0%	1.9%	2.7%	3.5%	4.5%	4.5%
<i>Margin %</i>	16.8%	16.4%	16.0%	15.6%	15.3%	15.2%	15.2%	15.2%
Interest expense, net	85	106	102	96	88	78	66	51
Operating EBT	833	830	853	877	911	956	1,014	1,077
Taxes on income	315	311	320	329	341	358	380	404
Net Income	518	519	533	548	569	597	634	673

### Autozone Inc.

#### Balance Sheet Summary

(\$ in millions)

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E
<b>Assets</b>								
Current assets								
Cash and cash equivalents	7	7	7	8	8	8	9	9
AR (less doubtful accounts)	44	46	48	50	52	54	57	59
Inventories	1,511	1,658	1,749	1,845	1,946	2,053	2,165	2,283
Other Current Assets	23	24	25	26	28	29	30	32
Total current assets	1,585	1,735	1,830	1,929	2,034	2,145	2,261	2,383
Net PP&E	1,716	1,796	1,881	1,968	2,060	2,155	2,255	2,358
Intangibles and other assets	380	380	380	380	380	380	380	380
Total assets	3,681	3,911	4,090	4,277	4,474	4,679	4,895	5,121
<b>Liabilities</b>								
Current liabilities								
AP	1,322	1,381	1,444	1,509	1,576	1,647	1,721	1,799
Accrued expenses	314	314	314	314	314	314	314	314
Other Current Liabilities	40	40	40	40	40	40	40	40
Total current liabilities	1,676	1,735	1,797	1,862	1,930	2,001	2,075	2,153
LT borrowings	1,547	1,938	1,853	1,743	1,603	1,425	1,204	936
Deferred income taxes and other	84	84	84	84	84	84	84	84
Total liabilities	3,307	3,757	3,735	3,690	3,617	3,510	3,363	3,173
Total Equity	374	154	355	587	857	1,169	1,532	1,948
Total Liabilities & Equity	3,681	3,911	4,090	4,277	4,474	4,679	4,895	5,121

### Autozone Inc.

#### EPS Summary

(\$ in millions except per share data)

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E
Market Value of Equity	7386	6,647	6,315	5,999	5,699	5,414	5,144	4,886
Repurchase		739	332	316	300	285	271	257
Repurchase %		10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Repurchased Shares		8.9	4.0	3.8	3.6	3.4	3.3	3.1
Number of shares outstanding	89	80	76	72	68	65	62	59
<b>EPS</b>	5.83	6.50	7.03	7.61	8.31	9.19	10.26	11.47

## Exhibit 5

### Autozone Inc.

#### Free Cash Flow Summary

(\$ in millions)

	2003	2004E	2005E	2006E	2007E	2008E	2009E	2010E	Terminal value
EBIT(1-T)	574	585	597	608	624	646	675	705	
D&A	110	115	120	126	132	138	144	151	
Increase in working capital	-7	91	32	35	37	39	42	45	
Capital expenditures	182	196	204	214	223	233	244	255	
FCF	508	414	480	486	496	511	534	557	13,997
PV of FCF's		386	419	395	377	363	354	345	8,662
EV	11,300								
Less Total Debt	<u>1,938</u>								
Value of equity	9,362								
Current price (04/16/2004)	83.26								
<b>Intrinsic Value</b>	<b>105.53</b>								