AutoZone: Superior Earnings Growth in a Weak U.S. Economy

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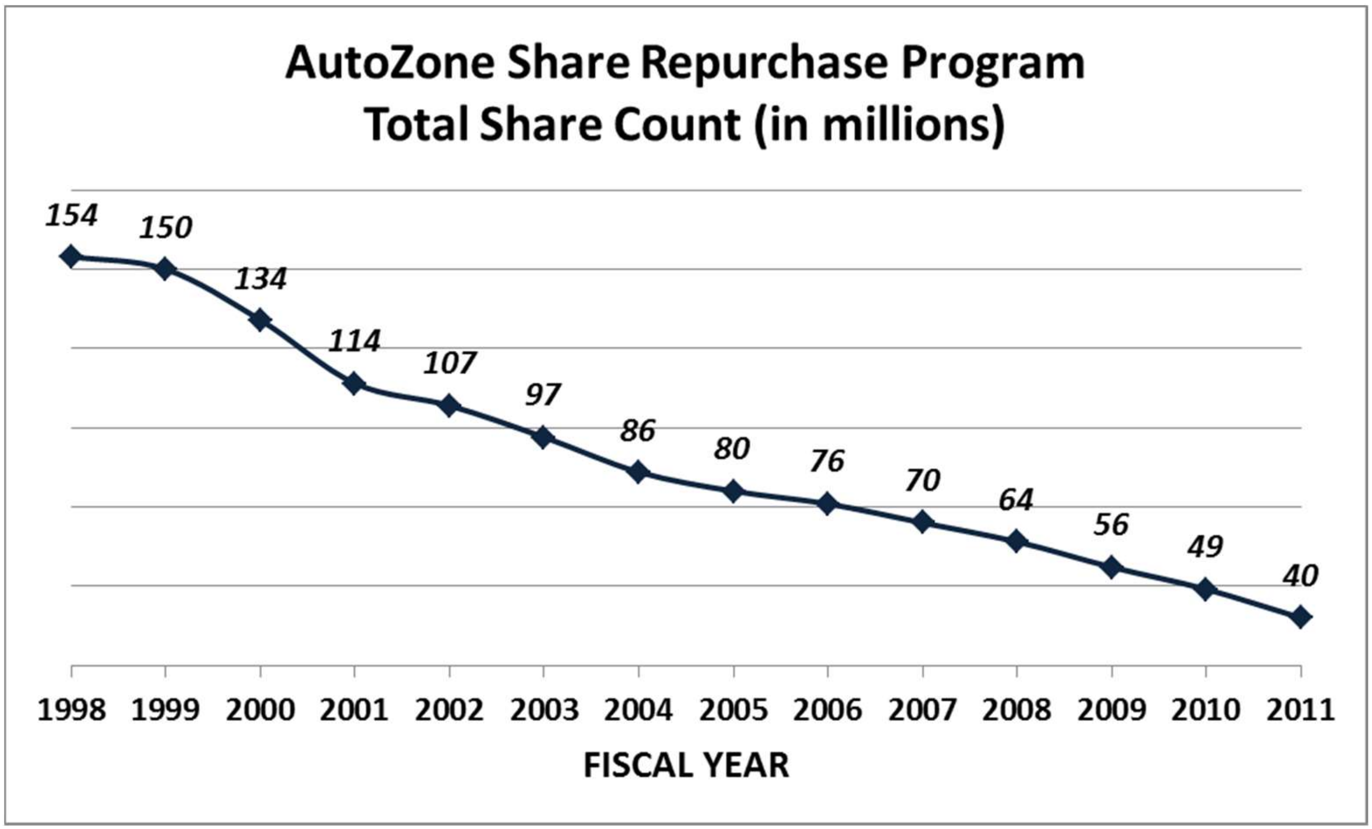
AutoZone is a Stable, Predictable Cash Cow

- Largest U.S. auto parts retailer with over 4,800 locations
  - Non-cyclical business easily withstands complete economic cycles
  - Annual revenue of $8 billion, CAGR of +7% from 1999-2011
    - Store count growth of +5% per year has largely tracked GDP + population growth
  - Stock price of $325.00 (11/04/11)
    - Market Cap = $13 billion, P/E Ratio of 16.7x on FY2011 EPS of $19.47
- Business generates tremendous free cash flow
  - Annual operating cash flow of $1.3 billion
  - Annual capital expenditures of $300 million
  - Annual free cash flow of $1.0 billion

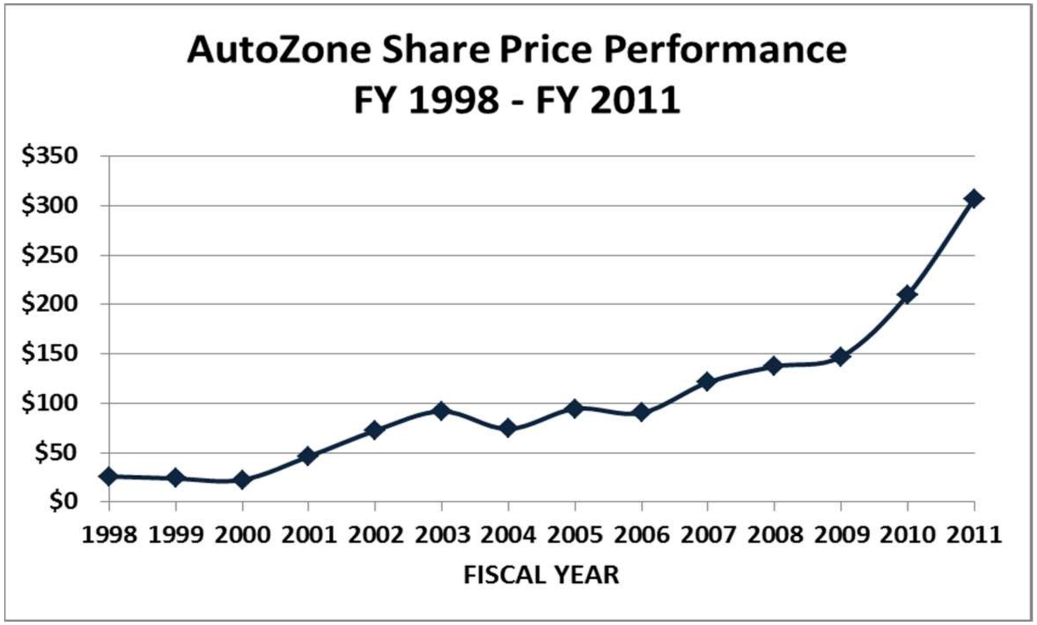
Capital Allocation is the Key for AutoZone Shareholders

- Management has repurchased shares aggressively for the last 12 years
  - With only $300 million of CapEx requirements, nearly 80% of annual cash profits can be returned to shareholders via stock buybacks
  - Total shares outstanding have been reduced by 74% between FY 1999 and FY 2011



As Go Earnings Per Share, So Goes the Stock Price

- AutoZone's aggressive stock buyback program has helped generate 22% annual earnings per share gains since FY 1998
  - This is with sales growth of just 7% per year
- The stock price has tracked those earnings gains, rising by nearly 1,100% during that time period (21% per year)
  - Compared with gains of only 3% per year for the S&P 500 index



The Bullish Case Summarized: Very Little Can Go Wrong

- AutoZone's underlying business strength is unlikely to deteriorate
  - Company has a leading position in a non-cyclical business with predictable & steady demand
  - Major new competitors in auto parts retailing are unlikely to materialize in the future
- Minimal expansion allows for enormous free cash flow generation and buybacks
  - No reason to increase CapEx spending with a dominant position in a mature industry
  - Management is committed to a proven share buyback program and is unlikely to change course
- Earnings per share can grow even if growth rates fall to zero
  - In the unlikely scenario that sales and cash flow growth stagnates, earnings per share would still grow due to the buyback program (8% annual share count reduction at current stock price)
- Lone downside risk appears to be P/E multiple compression
  - Over the last 15 years, AutoZone's trailing P/E ratio has ranged from 11x to 19x (currently 16.7x)
  - Even if P/E drops, strong earnings per share growth would largely offset multiple compression

AutoZone is a rare investment opportunity; one that provides highly predictable future cash flow as well as a proven capital allocation strategy that has a long track record of significant shareholder value creation regardless of the direction of the U.S. economy.