Company: AutoZone	Ticker: AZO	Price: $4132	Industry: Auto Parts Retail	
Target Price: $4612.20 Stop Loss: $3600 52 Week H/L: $4,388.11/$2,898.57	TTM P/E: 28.02x Forward P/E: 25.71x EPS (LTM): 147.75		Beta (5Y): 0.41 Credit Rating: BBB (Fitch)	Market Cap: 69.26B Avg. Volume (3M): 124k Div. Yield: N/A

Company Background:

AutoZone is a leading retailer and distributor of automotive replacement parts and accessories. They have over 6500 locations in the US, as well as growing stores in Mexico and Brazil. Revenue is generated through their DIY (~70% of revenue) segment, which sells directly to retail customers in stores. DIFM (~28%) is their commercial program that sells directly to garages, repair shops, and dealers. Lastly, they own ALLDATA (~2%), which is the industry leading diagnostic tool. AutoZone provides solutions to retail consumers and commercial clients by leveraging its strong supply chain and scale, trusted brand name, and data-enabled software. AutoZone's strong FCF generation and diligent share repurchase plan continuously return shareholder value.

Industry Outlook:

The auto parts retail industry has a direct correlation to the US car industry. The industry is benefitting through an increase in average age of vehicles on the road (currently at ATH of 12.8yrs), a strong increase in the number of pickup trucks and SUVs on the road, and US auto sales, which still haven't recovered from pre-COVID levels. The auto parts industry is projected to grow at a ~6.98% CAGR through 2034. AutoZone is well-positioned to benefit from secular tailwinds by capitalizing on their extensive reach and readily available product assortment to reach existing and new consumers/businesses.

Competitive Analysis:

Key players include O'Reilly, Advanced Auto, and GPC (NAPA). O'Reilly is the key competitor in this industry. They are seen to have a more even revenue split between DIY and DIFM and therefore have a more expensive valuation. Advanced Auto is unprofitable, and GPC sees more cyclicality due to their industrial parts business. Scale and inventory management are the two most critical factors in this industry. AutoZone's continued investment in their supply chain will bolster their inventory management and distribution channels, which will improve inventory selection for both stores and commercial clients.

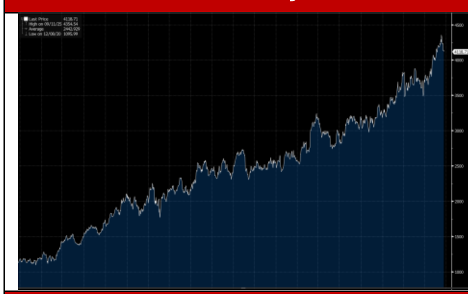
Investment Thesis:

AutoZone will grow and take commercial market share if they properly finish their supply chain initiative, continue building stores, and leverage their DIY scale. We see ALLDATA, their in-house line (Duralast), and growing mega hubs and distribution centers as undervalued growth drivers.

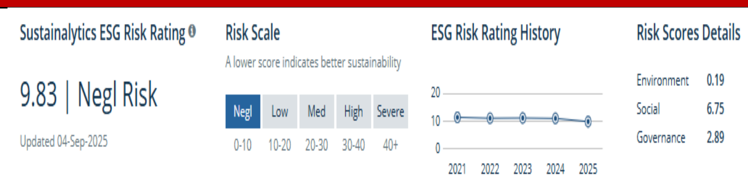
Investment Risks:

- Execution Risk: AutoZone's growth strategy relies upon expanding store count and building new hubs.
- Margin Compression: Current economic conditions are affecting inventory prices
- Debt: AutoZone finances their share repurchases strategy partially through debt

Stock Performance – 5yr:



ESG:



Valuation:

Implied Equity Value and Share Price	
PV of Cash Flows	$ 14,918.0
PV Terminal Value	$ 74,414.3
Enterprise Value	$ 89,332.3
Plus: Cash and Cash Equivalents	287.6
Less: Total Debt	12,596.2
Implied Equity Value	$ 77,023.7
Fully Diluted Shares Outstanding	17
Implied Share Price	$ 4,612.20
Current Stock Price	4132.00
Margin of Safety	11.62%

Sensitivity Analysis of Implied Price

PGR \ WACC	6.6%	6.9%	7.1%	7.4%	7.6%
2.00%	$ 4,708.67	$ 4,417.91	$ 4,155.74	$ 3,918.15	$ 3,701.85
2.25%	$ 4,981.31	$ 4,660.16	$ 4,372.20	$ 4,112.56	$ 3,877.27
2.50%	$ 5,287.19	$ 4,930.25	$ 4,612.20	$ 4,327.02	$ 4,069.88
2.75%	$ 5,632.81	$ 5,233.29	$ 4,879.78	$ 4,564.79	$ 4,282.35
3.00%	$ 6,026.42	$ 5,575.67	$ 5,179.99	$ 4,829.89	$ 4,517.92