AUTOZONE INC
Form 10-Q
June 16, 2010

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended May 8, 2010, or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____.

Commission file number 1-10714
AUTOZONE, INC.
(Exact name of registrant as specified in its charter)

Nevada	**62-1482048**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

123 South Front Street
Memphis, Tennessee 38103
(Address of principal executive offices) (Zip Code)
(901) 495-6500
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common Stock, $.01 Par Value 47,010,595 shares outstanding as of June 11, 2010.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

AUTOZONE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	May 8, 2010	August 29, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95,762	$ 92,706
Accounts receivable	121,325	126,514
Merchandise inventories	2,288,364	2,207,497
Other current assets	73,497	135,013
Total current assets	2,578,948	2,561,730
Property and equipment:		
Property and equipment	3,950,799	3,809,414
Less: Accumulated depreciation and amortization	1,525,756	1,455,057
	2,425,043	2,354,357
Other assets:		
Goodwill, net of accumulated amortization	302,645	302,645
Deferred income taxes	46,642	59,067
Other long-term assets	99,492	40,606
	448,779	402,318
	$ 5,452,770	$ 5,318,405
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	$ 2,235,766	$ 2,118,746
Accrued expenses and other current liabilities	385,250	381,271
Income taxes payable	88,151	35,145
Deferred income taxes	162,909	171,590
Total current liabilities	2,872,076	2,706,752
Debt	2,698,500	2,726,900
Other liabilities	344,144	317,827
Commitments and contingencies		

Stockholders deficit:		
Preferred stock, authorized 1,000 shares; no shares issued		
Common stock, par value $.01 per share, authorized 200,000 shares; 49,760 shares issued and 47,648 shares outstanding as of May 8, 2010; 57,881 shares issued and 50,801 shares outstanding as of August 29, 2009	498	579
Additional paid-in capital	515,865	549,326
Retained (deficit) earnings	(514,278)	136,935
Accumulated other comprehensive loss	(84,012)	(92,035)
Treasury stock, at cost	(380,023)	(1,027,879)
Total stockholders deficit	(461,950)	(433,074)
	$ 5,452,770	$ 5,318,405

See Notes to Condensed Consolidated Financial Statements

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AUTOZONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per share amounts)

	Twelve Weeks Ended		Thirty-Six Weeks Ended	
	May 8, 2010	May 9, 2009	May 8, 2010	May 9, 2009
Net sales	$ 1,821,990	$ 1,658,160	$ 4,917,459	$ 4,584,330
Cost of sales, including warehouse and delivery expenses	898,869	825,253	2,440,678	2,290,934
Gross profit	923,121	832,907	2,476,781	2,293,396
Operating, selling, general and administrative expenses	567,256	527,675	1,630,106	1,534,930
Operating profit	355,865	305,232	846,675	758,466
Interest expense, net	36,833	31,482	109,483	94,554
Income before income taxes	319,032	273,750	737,192	663,912
Income taxes	116,287	100,061	267,814	242,989
Net income	$ 202,745	$ 173,689	$ 469,378	$ 420,923
Weighted average shares for basic earnings per share	48,377	54,652	49,309	56,498
Effect of dilutive stock equivalents	835	804	778	681
Adjusted weighted average shares for diluted earnings per share	49,212	55,456	50,087	57,179
Basic earnings per share	$ 4.19	$ 3.18	$ 9.52	$ 7.45
Diluted earnings per share	$ 4.12	$ 3.13	$ 9.37	$ 7.36

See Notes to Condensed Consolidated Financial Statements

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AUTOZONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Thirty-Six Weeks Ended	
	May 8, 2010	May 9, 2009
Cash flows from operating activities:		
Net income	$ 469,378	$ 420,923
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	129,918	123,273
Amortization of debt origination fees	4,505	1,861
Income tax benefit from exercise of stock options	(10,167)	(7,514)
Deferred income taxes	(4,516)	20,104
Share-based compensation expense	13,215	13,492
Changes in operating assets and liabilities:		
Accounts receivable	5,307	(70,337)
Merchandise inventories	(79,177)	(108,047)
Accounts payable and accrued expenses	125,622	84,700
Income taxes payable	61,908	54,449
Other, net	25,014	2,116
Net cash provided by operating activities	741,007	535,020
Cash flows from investing activities:		
Capital expenditures	(180,066)	(160,087)
Purchase of marketable securities	(31,417)	(27,730)
Proceeds from sale of marketable securities	28,255	23,299
Disposal of capital assets and other, net	6,452	8,556
Net cash used in investing activities	(176,776)	(155,962)
Cash flows from financing activities:		
Net (payments) proceeds of commercial paper	(28,400)	156,600
Repayment of debt		(700)
Net proceeds from sale of common stock	28,818	36,795
Purchase of treasury stock	(558,269)	(712,606)
Income tax benefit from exercise of stock options	10,167	7,514
Payments of capital lease obligations	(13,864)	(12,621)
Net cash used in financing activities	(561,548)	(525,018)
Effect of exchange rate changes on cash	373	(2,214)
Net increase (decrease) in cash and cash equivalents	3,056	(148,174)

Cash and cash equivalents at beginning of period	92,706	242,461
Cash and cash equivalents at end of period	$ 95,762	$ 94,287

See Notes to Condensed Consolidated Financial Statements

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AUTOZONE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note A General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes included in the Annual Report to Stockholders for AutoZone, Inc. (AutoZone or the Company) for the year ended August 29, 2009 (the 2009 Annual Report to Stockholders).

Operating results for the twelve and thirty-six weeks ended May 8, 2010, are not necessarily indicative of the results that may be expected for the fiscal year ending August 28, 2010. Each of the first three quarters of AutoZone s fiscal year consists of 12 weeks, and the fourth quarter consists of 16 or 17 weeks. The fourth quarters for fiscal 2009 and fiscal 2010 each have 16 weeks. Additionally, the Company s business is somewhat seasonal in nature, with the highest sales generally occurring during the months of February through September and the lowest sales generally occurring in the winter months of December and January.

Recent Accounting Pronouncements: In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-13, *Revenue Arrangements with Multiple Deliverables*, which amends Accounting Standards Codification (ASC) Topic 605 (formerly Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*). This ASU addresses the accounting for multiple-deliverable revenue arrangements to enable vendors to account for deliverables separately rather than as a combined unit. This ASU will be effective prospectively for revenue arrangements entered into commencing with the Company s first fiscal quarter beginning August 29, 2010. The Company does not expect the provisions of ASU 2009-13 to have a material effect on the consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which amends ASC 820 (formerly FASB Statement No. 157, *Fair Value Measurements*). This ASU requires a number of additional disclosures regarding fair value measurements such as transfers in and out of Levels 1 and 2 and separate disclosures about activity relating to Level 3 measurements. It also clarifies existing disclosure requirements related to the level of disaggregation and input valuation techniques. This ASU became effective for the Company commencing with the Company s third fiscal quarter beginning February 14, 2010, and its adoption has been reflected within Note C Fair Value Measurements . The provisions of ASU 2010-06 did not have a material effect on the consolidated financial statements.

Note B Share-Based Payments

AutoZone recognizes compensation expense for share-based payments based on the fair value of the awards at the grant date. Share-based payments include stock option grants and the discount on shares sold to employees under share purchase plans. Additionally, directors may defer a portion of their fees in units with value equivalent to the value of shares of common stock as of the grant date.

Total share-based compensation expense (a component of operating, selling, general and administrative expenses) was $4.3 million for the twelve week period ended May 8, 2010, and was $4.2 million for the comparable prior year period. Share-based compensation expense was $13.2 million for the thirty-six week period ended May 8, 2010, and was $13.5 million for the comparable prior year period.

During the thirty-six week period ended May 8, 2010, the Company made stock option grants of 496,580 shares. The Company granted options to purchase 593,842 shares during the comparable prior year period. The weighted average fair value of the stock option awards granted during the thirty-six week periods ended May 8, 2010 and May 9, 2009, using the Black-Scholes-Merton multiple-option pricing valuation model, was $40.75 and $34.05 per share, respectively, using the following weighted average key assumptions:

	Thirty-Six Weeks Ended	
	May 8, 2010	**May 9, 2009**
Expected price volatility	31%	28%
Risk-free interest rate	1.8%	2.4%
Weighted average expected lives in years	4.3	4.1
Forfeiture rate	10.0%	10.0%
Dividend yield	0.0%	0.0%

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See AutoZone s 2009 Annual Report to Stockholders for a discussion of the methodology used in developing AutoZone s assumptions to determine the fair value of the option awards.

For the twelve week period ended May 8, 2010, there were no stock options excluded from the diluted earnings per share computation because they would have been anti-dilutive. For the comparable prior year period, 2,400 anti-dilutive shares were excluded. There were 24,900 anti-dilutive shares excluded from the diluted earnings per share computation for the thirty-six week period ended May 8, 2010 and 32,952 shares excluded for the comparable prior year period.

Note C Fair Value Measurements

The Company defines fair value as the price received to transfer an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a hierarchy of valuation inputs to measure fair value.

The hierarchy prioritizes the inputs into three broad levels:

Level 1 inputs unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs unobservable inputs for the asset or liability.

The carrying value of certain of the Company s financial instruments, including cash and cash equivalents, accounts receivable, prepaid assets and accounts payable, approximate fair value because of their short maturities. A discussion of the carrying values and fair values of the Company s debt is included in Note F Debt .

The Company holds investments in its wholly owned insurance captive in a money market fund and marketable debt securities and classifies them as available-for-sale. The investments are recorded at fair value, which is typically valued at the closing quoted price in the principal active market as of the last business day of the quarter. At May 8, 2010, the debt securities measured at fair value include Level 1 investments of $11.7 million and $60.7 million, which are included in other current assets and other long-term assets, respectively, in the accompanying Condensed Consolidated Balance Sheet.

Unrealized gains and losses on the marketable securities are recorded in accumulated other comprehensive income, net of tax. The Company s basis for determining the cost of a security sold is the Specific Identification Model . The Company s available-for-sale marketable securities consisted of the following:

	May 8, 2010			
(*in thousands*)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate securities	$ 26,445	$ 446	$ (4)	$ 26,887
Government bonds	28,954	268		29,222
Mortgage-backed securities	10,126	276		10,402
Asset-backed securities and other	5,801	89		5,890
Total	$ 71,326	$ 1,079	$ (4)	$ 72,401

	August 29, 2009		
	Amortized Cost	Gross Unrealized	Gross Unrealized

(*in thousands*)	Basis	Gains	Losses	Fair Value
Corporate securities	$ 28,302	$ 654	$ (5)	$ 28,951
Government bonds	18,199	283		18,482
Mortgage-backed securities	14,772	366	(119)	15,019
Asset-backed securities and other	7,589	207	(210)	7,586
Total	$ 68,862	$ 1,510	$ (334)	$ 70,038

The debt securities held at May 8, 2010, had maturities ranging from less than one year to less than three years. The Company did not realize any material gains or losses on its marketable securities during the thirty-six week period ended May 8, 2010.

As of May 8, 2010, the Company holds three securities that are in an unrealized loss position. The Company has the intent and ability to hold these investments until recovery of fair value or maturity, and does not deem the investments to be impaired on an other than temporary basis. In evaluating whether the securities are deemed to be impaired on an other than temporary basis, the Company considers factors such as the duration and severity of the loss position, the creditworthiness of the issuer, the term to maturity and intent and ability to hold the investments until maturity or until recovery of fair value.

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Note D Merchandise Inventories

Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method for domestic inventories and the first-in, first-out (FIFO) method for Mexico inventories. Included in inventories are related purchasing, storage and handling costs. Due to price deflation on the Company s merchandise purchases, the Company s domestic inventory balances are effectively maintained under the FIFO method. The Company s policy is not to write up inventory in excess of replacement cost. The cumulative balance of this unrecorded adjustment, which will be reduced upon experiencing price inflation on the Company s merchandise purchases, was $243.0 million at May 8, 2010, and $223.0 million at August 29, 2009.

Note E Pension Plans

The components of net periodic pension expense (income) related to the Company s pension plans for all periods presented are as follows:

	Twelve Weeks Ended		Thirty-Six Weeks Ended	
(in thousands)	May 8, 2010	May 9, 2009	May 8, 2010	May 9, 2009
Interest cost	$ 2,611	$ 2,457	$ 7,833	$ 7,371
Expected return on plan assets	(2,087)	(2,927)	(6,261)	(8,780)
Amortization of prior service cost		14		41
Amortization of net loss	1,877	17	5,631	51
Net periodic pension expense (income)	$ 2,401	$ (439)	$ 7,203	$ (1,317)

The Company makes contributions in amounts at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006. During the thirty-six week period ended May 8, 2010, the Company did not make any contributions to its funded plan and does not expect to make any additional cash contributions during the remainder of fiscal 2010.

Note F Debt

The Company s debt consisted of the following:

(in thousands)	May 8, 2010	August 29, 2009
4.75% Senior Notes due November 2010, effective interest rate of 4.17%	$ 199,300	$ 199,300
5.875% Senior Notes due October 2012, effective interest rate of 6.33%	300,000	300,000
4.375% Senior Notes due June 2013, effective interest rate of 5.65%	200,000	200,000
6.5% Senior Notes due January 2014, effective interest rate of 6.63%	500,000	500,000
5.75% Senior Notes due January 2015, effective interest rate of 5.89%	500,000	500,000
5.5% Senior Notes due November 2015, effective interest rate of 4.86%	300,000	300,000
6.95% Senior Notes due June 2016, effective interest rate of 7.09%	200,000	200,000
7.125% Senior Notes due August 2018, effective interest rate of 7.28%	250,000	250,000
Commercial paper, weighted average interest rate of 0.36% and 0.49% at May 8, 2010 and August 29, 2009, respectively	249,200	277,600
	$ 2,698,500	$ 2,726,900

As of May 8, 2010, the 4.75% Senior Notes due November 2010 and the commercial paper borrowings mature in the next twelve months, but are classified as long-term in the accompanying Condensed Consolidated Balance Sheet, as the Company has the ability and intent to refinance the borrowings on a long-term basis. Before considering the effect

of commercial paper borrowings, the Company had $693.0 million of availability under its $800 million revolving credit facility, expiring in July 2012, which would allow it to replace these short-term obligations with long-term financing.

The fair value of the Company s debt was estimated at $2.946 billion as of May 8, 2010, and $2.853 billion as of August 29, 2009, based on the quoted market prices for the same or similar issues or on the current rates available to the Company for debt of the same terms. Such fair value is greater than the carrying value of debt by $247.6 million at May 8, 2010, and $126.5 million at August 29, 2009.

Subsequent to May 8, 2010, the Company executed a new $100 million letter of credit facility.

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Note G Stock Repurchase Program

From January 1, 1998 to May 8, 2010, the Company has repurchased a total of 118.9 million shares at an aggregate cost of $8.1 billion, including 3,532,605 shares of its common stock at an aggregate cost of $558.3 million during the thirty-six week period ended May 8, 2010. On December 16, 2009, the Board of Directors (the Board) voted to increase the authorization by $500 million to raise the cumulative share repurchase authorization from $7.9 billion to $8.4 billion. Considering cumulative repurchases as of May 8, 2010, the Company had $250.8 million remaining under the Board s authorization to repurchase its common stock. On June 15, 2010, the Board voted to increase the authorization by $500 million to raise the cumulative share repurchase authorization from $8.4 billion to $8.9 billion. Subsequent to May 8, 2010, the Company has repurchased 816,390 shares of its common stock at an aggregate cost of $153.9 million.

During the thirty-six week period ended May 8, 2010, the Company retired 8.5 million shares of treasury stock which had previously been repurchased under the Company s share repurchase program. The retirement decreased retained (deficit) earnings by $1,120.3 million and additional paid-in capital by $85.7 million.

Note H Comprehensive Income

Comprehensive income includes foreign currency translation adjustments; the impact from certain derivative financial instruments designated and effective as cash flow hedges, including changes in fair value, as applicable; the reclassification of gains and/or losses from accumulated other comprehensive loss to net income to offset the earnings impact of the underlying items being hedged; pension liability adjustments and changes in the fair value of certain investments classified as available-for- sale. During the thirty-six week period ended May 8, 2010, the Mexican Peso remained relatively flat against the US Dollar. The foreign currency translation adjustment of $40.5 million in the thirty-six week period ended May 9, 2009, was attributable to the weakening of the Mexican Peso against the US Dollar, which as of May 9, 2009, had decreased by approximately 27% when compared to the fiscal year ended August 30, 2008.

Comprehensive income for all periods presented is as follows:

	Twelve Weeks Ended		Thirty-Six Weeks Ended	
(in thousands)	**May 8, 2010**	**May 9, 2009**	**May 8, 2010**	**May 9, 2009**
Net income, as reported	$ 202,745	$ 173,689	$ 469,378	$ 420,923
Foreign currency translation adjustments	6,417	12,310	5,068	(40,473)
Net impact from derivative instruments	(141)	737	(423)	(1,549)
Pension liability adjustments	(309)		3,435	
Unrealized (losses) gains from marketable securities	(154)	250	(55)	389
Comprehensive income	$ 208,558	$ 186,986	$ 477,403	$ 379,290

Note I Segment Reporting

The Company s two operating segments (Domestic Auto Parts and Mexico) are aggregated as one reportable segment: Auto Parts Stores. The criteria the Company used to identify the reportable segment are primarily the nature of the products the Company sells and the operating results that are regularly reviewed by the Company s chief operating decision maker to make decisions about the resources to be allocated to the business units and to assess performance. The accounting policies of the Company s reportable segment are the same as those described in Note A in its 2009 Annual Report to Stockholders.

The Auto Parts Stores segment is a retailer and distributor of automotive parts and accessories through the Company s 4,521 stores in the United States, including Puerto Rico, and Mexico. Each store carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products.

The Other category reflects business activities that are not separately reportable, including ALLDATA, which produces, sells and maintains diagnostic and repair information software used in the automotive repair industry, and E-commerce, which includes direct sales to customers through www.autozone.com.

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The Company evaluates its reportable segment primarily on the basis of net sales and segment profit, which is defined as gross profit. Segment results for the periods presented are as follows:

	Twelve Weeks Ended		Thirty-Six Weeks Ended	
(in thousands)	**May 8, 2010**	**May 9, 2009**	**May 8, 2010**	**May 9, 2009**
Net Sales				
Auto Parts Stores	$ 1,787,069	$ 1,624,806	$ 4,816,288	$ 4,485,258
Other	34,921	33,354	101,171	99,072
Total	$ 1,821,990	$ 1,658,160	$ 4,917,459	$ 4,584,330
Segment Profit				
Auto Parts Stores	$ 895,163	$ 805,589	$ 2,394,959	$ 2,211,687
Other	27,958	27,318	81,822	81,709
Gross profit	923,121	832,907	2,476,781	2,293,396
Operating, selling, general and administrative expenses	(567,256)	(527,675)	(1,630,106)	(1,534,930)
Interest expense, net	(36,833)	(31,482)	(109,483)	(94,554)
Income before income taxes	$ 319,032	$ 273,750	$ 737,192	$ 663,912

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
AutoZone, Inc.

We have reviewed the condensed consolidated balance sheet of AutoZone, Inc. as of May 8, 2010, the related condensed consolidated statements of income for the twelve and thirty-six week periods ended May 8, 2010 and May 9, 2009, and the condensed consolidated statements of cash flows for the thirty-six week periods ended May 8, 2010 and May 9, 2009. These financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of AutoZone, Inc. as of August 29, 2009, and the related consolidated statements of income, changes in stockholders equity (deficit), and cash flows for the year then ended, not presented herein, and, in our report dated October 26, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 29, 2009 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP
Memphis, Tennessee
June 16, 2010

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are the nation s leading retailer and a leading distributor of automotive replacement parts and accessories. We began operations in 1979 and at May 8, 2010, operated 4,309 stores in the United States, including Puerto Rico, and 212 in Mexico. Each of our stores carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products. At May 8, 2010, in 2,340 of our domestic stores and 141 of our Mexico stores, we also have a commercial sales program that provides prompt delivery of parts and other products to local, regional and national repair garages, dealers, service stations and public sector accounts. We also sell the ALLDATA brand automotive diagnostic and repair software through www.alldata.com. Additionally, we sell automotive hard parts, maintenance items, accessories and non-automotive products through www.autozone.com, and as part of our commercial sales program, through www.autozonepro.com. We do not derive revenue from automotive repair or installation services.

Operating results for the twelve and thirty-six weeks ended May 8, 2010, are not necessarily indicative of the results that may be expected for the fiscal year ending August 28, 2010. Each of the first three quarters of our fiscal year consists of 12 weeks, and the fourth quarter consists of 16 or 17 weeks. The fourth quarters for fiscal 2009 and fiscal 2010 each have 16 weeks. Our business is somewhat seasonal in nature, with the highest sales generally occurring during the months of February through September and the lowest sales generally occurring in the winter months of December and January.

Executive Summary

Net sales were up 9.9%, driven by domestic same store sales growth of 7.1%. We experienced sales growth from both our retail and commercial customers. Earnings per share increased 31.5% for the quarter.

There are various factors occurring within the current economy that affect both our consumer and our industry, including the impact of the recent recession, higher unemployment and other challenging economic conditions, which we believe have aided our sales growth during the quarter. Given the nature of these macroeconomic factors, we cannot predict whether or for how long these trends will continue, nor can we predict to what degree these trends will impact us in the future. Our primary response to fluctuations in the demand for the products we sell are to adjust our advertising message, store staffing, and product assortment. We continue to believe we are well positioned to help our customers save money and meet their needs in a challenging macro environment.

The two statistics that we believe have the closest correlation to our market growth over the long-term are miles driven and the number of seven year old or older vehicles on the road. Prior to the recession, we had seen a close correlation between our net sales and the number of miles driven; however, recently we have seen minimal correlation in sales performance with miles driven. Sales have grown at an increased rate, while miles driven has either decreased or grown at a slower rate than what we have historically experienced. During this period of minimal correlation between net sales and miles driven, we believe net sales have been positively impacted by other factors, including the number of seven year old or older vehicles on the road. Since the beginning of the fiscal year and through March 2010 (latest publicly available information), miles driven improved by approximately 1.0% as compared to the comparable prior year period, and the average age of the U.S. light vehicle fleet continues to trend in our industry s favor. As the economy continues to recover, we believe that annual miles driven will return to pre-recession low single digit growth rates and the correlation between annual miles driven and the annual sales growth of our industry will return.

In the current environment, we have experienced growth in each of our maintenance, failure and discretionary sales categories as compared to previous quarters. Failure related categories were our best performing categories during the quarter. We remain focused on refining and expanding our product assortment to ensure we have the best merchandise at the right price in each of our categories.

Twelve Weeks Ended May 8, 2010,
Compared with Twelve Weeks Ended May 9, 2009

Net sales for the twelve weeks ended May 8, 2010, increased $163.8 million to $1.822 billion, or 9.9%, over net sales of $1.658 billion for the comparable prior year period. Total auto parts sales increased by 10.0%, primarily driven by a domestic same store sales (sales for stores open at least one year) increase of 7.1% and net sales of $50.2 million from new stores. The domestic same store sales increase was driven by higher transaction value, as well as higher

transaction count.

Gross profit for the twelve weeks ended May 8, 2010, was $923.1 million, or 50.7% of net sales, compared with $832.9 million, or 50.2% of net sales, during the comparable prior year period. The improvement in gross margin benefited from higher merchandise margins and leveraging distribution costs due to higher sales. The merchandise margin improvement of 23 basis points was attributable to both a shift in mix to higher margin product and lower product acquisition costs.

Operating, selling, general and administrative expenses for the twelve weeks ended May 8, 2010, were $567.3 million, or 31.1% of net sales, compared with $527.7 million, or 31.8% of net sales, during the comparable prior year period. The reduction in operating expenses, as a percentage of sales, reflected leverage of store operating expenses due to higher sales, partially offset by 17 basis points of expense from the continued investment in our hub store initiative and 16 basis points from higher pension expense.

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Net interest expense for the twelve weeks ended May 8, 2010, was $36.8 million compared with $31.5 million during the comparable prior year period. This increase was primarily due to the increase in debt over the comparable prior year period, as well as a slight increase in borrowing rates. Average borrowings for the twelve weeks ended May 8, 2010, were $2.743 billion, compared with $2.516 billion for the comparable prior year period. Weighted average borrowing rates were 5.3% for the twelve weeks ended May 8, 2010, and 5.2% for the twelve weeks ended May 9, 2009.

Our effective income tax rate was 36.4% of pretax income for the twelve weeks ended May 8, 2010, and 36.6% for the comparable prior year period.

Net income for the twelve week period ended May 8, 2010, increased by $29.1 million to $202.7 million, and diluted earnings per share increased by 31.5% to $4.12 from $3.13 in the comparable prior year period. The impact on current quarter diluted earnings per share from stock repurchases since the end of the comparable prior year period was an increase of $0.48.

Thirty-Six Weeks Ended May 8, 2010,
Compared with Thirty-Six Weeks Ended May 9, 2009

Net sales for the thirty-six weeks ended May 8, 2010, increased $333.1 million to $4.917 billion, or 7.3% over net sales of $4.584 billion for the comparable prior year period. Total auto parts sales increased by 7.4%, primarily driven by net sales of $130.4 million from new stores and an increase in domestic comparable store sales (sales for domestic stores opened at least one year) of 4.7%. The domestic same store sales increase was driven by higher transaction value.

Gross profit for the thirty-six weeks ended May 8, 2010, was $2.477 billion, or 50.4% of net sales, compared with $2.293 billion, or 50.0% of net sales, during the comparable prior year period. The improvement in gross margin benefited from leveraging distribution costs of 15 basis points primarily due to higher sales and a favorable shrink comparison of 13 basis points as compared to prior year.

Operating, selling, general and administrative expenses for the thirty-six weeks ended May 8, 2010, were $1.630 billion, or 33.1% of net sales, compared with $1.535 billion, or 33.5% of net sales, during the comparable prior year period. The reduction in operating expenses, as a percentage of sales, reflected leverage of store operating expenses due to higher sales, partially offset by 21 basis points of expense from the continued investment in our hub store initiative and 18 basis points from higher pension expense.

Net interest expense for the thirty-six weeks ended May 8, 2010, was $109.5 million compared with $94.6 million during the comparable prior year period. This increase was primarily due to higher average borrowing levels, partially offset by a decline in borrowing rates. Average borrowings for the thirty-six weeks ended May 8, 2010, were $2.757 billion, compared with $2.394 billion for the comparable prior year period. Weighted average borrowing rates were 5.3% for the thirty-six weeks ended May 8, 2010, and 5.5% for the thirty-six weeks ended May 9, 2009.

Our effective income tax rate was 36.3% of pretax income for the thirty-six weeks ended May 8, 2010, and 36.6% for the comparable prior year period. The actual annual rate for fiscal 2010 will depend on a number of factors, including the amount and source of operating profit and the timing and nature of discrete income tax events.

Net income for the thirty-six week period ended May 8, 2010, increased by $48.5 million to $469.4 million, and diluted earnings per share increased by 27.3% to $9.37 from $7.36 in the comparable prior year period. The impact on year to date diluted earnings per share from stock repurchases since the end of the comparable prior year period was an increase of $0.90.

Liquidity and Capital Resources

The primary source of our liquidity is our cash flows realized through the sale of automotive parts, products and accessories. For the thirty-six weeks ended May 8, 2010, our net cash flows from operating activities provided $741.0 million as compared with $535.0 million provided during the comparable prior year period. The increase is primarily due to higher net income of $48.5 million and improvements in accounts payable as our cash flows from operating activities continue to benefit from our inventory purchases being largely financed by our vendors. Our accounts payable to inventory ratio was approximately 98% at May 8, 2010, and approximately 94% at May 8, 2009. In the prior year period, operating cash flows were negatively impacted by a $70.3 million change in accounts receivable, primarily from the discontinuance of the factoring of our commercial accounts receivables with a third

party bank.

Our net cash flows from investing activities for the thirty-six weeks ended May 8, 2010, used $176.8 million as compared with $156.0 million used in the comparable prior year period. Capital expenditures for the thirty-six weeks ended May 8, 2010, were $180.1 million compared to $160.1 million for the comparable prior year period. During this thirty-six week period, we opened 104 net new stores, including 24 stores in Mexico. In the comparable prior year period, we opened 100 net new stores, including 20 in Mexico. The increase in capital expenditures as compared to the prior year was driven by a shift in mix from build-to-suit properties to ground leases and land purchases. Investing cash flows were also impacted by our wholly owned insurance captive, which purchased $31.4 million and sold $28.3 million in marketable securities during the thirty-six weeks ended May 8, 2010. During the comparable prior year period, this captive purchased $27.7 million in marketable securities and sold $23.3 million in marketable securities. Capital asset disposals provided $6.5 million during the thirty-six week period ended May 8, 2010, and $8.6 million in the comparable prior year period.

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Our net cash flows from financing activities for the thirty-six weeks ended May 8, 2010, used $561.5 million compared to $525.0 million used in the comparable prior year period. Net repayments of commercial paper borrowings were $28.4 million versus net proceeds from commercial paper borrowings of $156.6 million in the comparable prior year period. Stock repurchases were $558.3 million in the current thirty-six week period as compared with $712.6 million in the comparable prior year period. For the thirty-six weeks ended May 8, 2010, proceeds from the sale of common stock and exercises of stock options provided $39.0 million, including $10.2 million in related tax benefits. In the comparable prior year period, proceeds from the sale of common stock and exercises of stock options provided $44.3 million, including $7.5 million in related tax benefits.

We expect to invest in our business consistent with historical rates during fiscal 2010, with our investments being directed primarily to our new store development program and enhancements to existing stores and infrastructure. The amount of our investments in our new store program are impacted by different factors, including such factors as whether the building and land are purchased (requiring higher investment) or leased (generally lower investment), U.S. or Mexico, urban or rural, etc. Over the past two years, our capital expenditures have increased by approximately 8% to 12% as compared to the prior year. Our mix of store openings has moved away from build-to-suit leases (lower initial capital investment) to ground leases and land purchases (higher initial capital investment), resulting in increased capital expenditures during the previous three years, and we expect this trend to continue during the fiscal year ending August 28, 2010**.**

In addition to the building and land costs, our new-store development program requires working capital, predominantly for inventories. Historically, we have negotiated extended payment terms from suppliers, reducing the working capital required and resulting in a high accounts payable to inventory ratio. We plan to continue leveraging our inventory purchases; however, our ability to do so may be limited by our vendors capacity to factor their receivables from us. Certain vendors participate in financing arrangements with financial institutions whereby they factor their receivables from us, allowing them to receive payment on our invoices at a discounted rate.

Depending on the timing and magnitude of our future investments (either in the form of leased or purchased properties or acquisitions), working capital requirements and stock repurchases, we anticipate that we will rely primarily on internally generated funds and available borrowing capacity. However, the balance may be funded through new borrowings. We anticipate that we will be able to obtain such financing in view of our current credit ratings and previous history in the credit markets.

For the trailing four quarters ended May 8, 2010, our after-tax return on invested capital (ROIC) was 26.5% as compared to 24.3% for the comparable prior year period. ROIC is calculated as after-tax operating profit (excluding rent charges) divided by average invested capital (which includes a factor to capitalize operating leases). ROIC increased primarily due to increased after-tax operating profit. We use ROIC to evaluate whether we are effectively using our capital resources and believe it is an important indicator of our overall operating performance.

Credit Ratings

At May 8, 2010, AutoZone had a senior unsecured debt credit rating from Standard & Poor s of BBB and a commercial paper rating of A-2. Moody s Investors Service (Moody s) had assigned us a senior unsecured debt credit rating of Baa2 and a commercial paper rating of P-2. Fitch Ratings (Fitch) assigned us a BBB rating for senior unsecured debt and an F-2 rating for commercial paper. As of May 8, 2010, Standard & Poor s, Moody s and Fitch had AutoZone listed as having a stable outlook. If our credit ratings drop, our interest expense may increase; similarly, we anticipate that our interest expense may decrease if our investment ratings are raised. If our commercial paper ratings drop below current levels, we may have difficulty continuing to utilize the commercial paper market and our interest expense will likely increase, as we will then be required to access more expensive bank lines of credit. If our senior unsecured debt ratings drop below investment grade, our access to financing may become more limited.

Our adjusted debt to earnings before interest, taxes, depreciation, amortization, rent and share-based expense (EBITDAR) ratio was 2.4:1 as of May 8, 2010, and was 2.3:1 as of May 9, 2009. We calculate adjusted debt as the sum of total debt, capital lease obligations and rent times six; and we calculate EBITDAR by adding interest, taxes, depreciation, amortization, rent and share-based expenses to net income. Adjusted debt to EBITDAR is calculated on a trailing four quarter basis. We target our debt levels to a ratio of adjusted debt to EBITDAR in order to maintain our investment grade credit ratings. We believe this is important information for the management of our debt levels.

Debt Facilities

We maintain an $800 million revolving credit facility with a group of banks to primarily support commercial paper borrowings, letters of credit and other short-term unsecured bank loans. The credit facility may be increased to $1.0 billion at AutoZone s election and subject to bank credit capacity and approval, may include up to $200 million in letters of credit, and may include up to $100 million in capital leases each fiscal year. As the available balance is reduced by commercial paper borrowings and certain outstanding letters of credit, we had $415.5 million in available capacity under this facility at May 8, 2010. Interest accrues on Eurodollar loans at a defined Eurodollar rate plus the applicable percentage, which could range from 150 basis points to 450 basis points, depending upon our senior unsecured (non-credit enhanced) long-term debt rating. This facility expires in July 2012.

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The 6.50% and 7.125% Senior Notes issued during August 2008, and the 5.75% Senior Notes issued in July 2009, are subject to an interest rate adjustment if the debt ratings assigned to the notes are downgraded. They also contain a provision that repayment of the notes may be accelerated if AutoZone experiences a change in control (as defined in the agreements). Our borrowings under our other senior notes contain minimal covenants, primarily restrictions on liens. Under our other borrowing arrangements, covenants include limitations on total indebtedness, restrictions on liens, a minimum fixed charge coverage ratio and a change of control provision that may require acceleration of the repayment obligations under certain circumstances. All of the repayment obligations under our borrowing arrangements may be accelerated and come due prior to the scheduled payment date if covenants are breached or an event of default occurs. As of May 8, 2010, we were in compliance with all covenants and expect to remain in compliance with all covenants.

Stock Repurchases

From January 1, 1998 to May 8, 2010, we have repurchased a total of 118.9 million shares at an aggregate cost of $8.1 billion, including 3,532,605 shares of our common stock at an aggregate cost of $558.3 million during the thirty-six week period ended May 8, 2010. On December 16, 2009, the Board of Directors (the Board) voted to increase the authorization by $500 million to raise the cumulative share repurchase authorization from $7.9 billion to $8.4 billion. Considering cumulative repurchases as of May 8, 2010, we have $250.8 million remaining under the Board s authorization to repurchase our common stock. On June 15, 2010, the Board voted to increase the authorization by $500 million to raise the cumulative share repurchase authorization from $8.4 billion to $8.9 billion. Subsequent to May 8, 2010, we have repurchased 816,390 shares of our common stock at an aggregate cost of $153.9 million.

Off-Balance Sheet Arrangements

Since fiscal year end, we have cancelled, issued and modified stand-by letters of credit that are primarily renewed on an annual basis to cover premium and deductible payments to our workers compensation carriers. Our total stand-by letters of credit commitment at May 8, 2010, was $107.5 million compared with $111.9 million at August 29, 2009, and our total surety bonds commitment at May 8, 2010, was $17.7 million compared with $14.8 million at August 29, 2009. Subsequent to May 8, 2010, we executed a new $100 million letter of credit facility.

Financial Commitments

As of May 8, 2010, there were no significant changes to our contractual obligations as described in our 2009 Annual Report to Stockholders.

Reconciliation of Non-GAAP Financial Measures

Management s Discussion and Analysis of Financial Condition and Results of Operations include certain financial measures not derived in accordance with United States generally accepted accounting principles (GAAP). These non-GAAP financial measures provide additional information for determining our optimum capital structure and are used to assist management in evaluating performance and in making appropriate business decisions to maximize stockholders value.

Non-GAAP financial measures should not be used as a substitute for GAAP financial measures, or considered in isolation, for the purpose of analyzing our operating performance, financial position or cash flows. However, we have presented the non-GAAP financial measures, as we believe they provide additional information that is useful to investors as they indicate more clearly the Company s comparative year-to-year operating results. Furthermore, our management and the Compensation Committee of the Board use the abovementioned non-GAAP financial measures to analyze and compare our underlying operating results and to determine payments of performance-based compensation. We have included a reconciliation of this information to the most comparable GAAP measures in the following reconciliation tables.

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Reconciliation of Non-GAAP Financial Measure: After-Tax Return on Invested Capital ROIC
The following tables reconcile the percentages of ROIC for the trailing four quarters ended May 8, 2010 and May 9, 2009.

(in thousands, except percentage)	A Fiscal Year Ended August 29, 2009	B Thirty-Six Weeks Ended May 9, 2009	A-B=C Sixteen Weeks Ended August 29, 2009	D Thirty-Six Weeks Ended May 8, 2010	C+D Trailing Four Quarters Ended May 8, 2010
Net income	$ 657,049	$ 420,923	$ 236,126	$ 469,378	$ 705,504
Adjustments:					
Interest expense	142,316	94,554	47,762	109,483	157,245
Rent expense	181,309	123,253	58,056	133,560	191,616
Tax effect (1)	(117,380)	(79,000)	(38,380)	(88,151)	(126,531)
After-tax return	$ 863,294	$ 559,730	$ 303,564	$ 624,270	$ 927,834
Average debt (2)					$ 2,669,100
Average deficit (3)					(369,156)
Rent x 6 (4)					1,149,700
Average capital lease obligations (5)					56,009
Pre-tax invested capital					$ 3,505,653
ROIC					26.5%

(in thousands, except percentage)	A Fiscal Year Ended August 30, 2008	B Thirty-Six Weeks Ended May 3, 2008	A-B=C Seventeen Weeks Ended August 30, 2008	D Thirty-Six Weeks Ended May 9, 2009	C+D Trailing Four Quarters Ended May 9, 2009 (6)
Net income	$ 641,606	$ 397,860	$ 243,746	$ 420,923	$ 664,669
Adjustments:					
Interest expense	116,745	81,980	34,765	94,554	129,319
Rent expense	165,121	109,319	55,802	123,253	179,055
Tax effect (1)	(102,755)	(69,738)	(33,017)	(79,401)	(112,418)
After-tax return	$ 820,717	$ 519,421	$ 301,296	$ 559,329	$ 860,625
Average debt (2)					$ 2,309,371
Average equity (3)					102,618
Rent x 6 (4)					1,074,322
					62,537

Average capital lease obligations (5)	
Pre-tax invested capital	$ 3,548,848
ROIC	24.3%

(1) The effective tax rate over the trailing four quarters ended May 8, 2010 and May 9, 2009 is 36.3% and 36.5%, respectively.

(2) Average debt is equal to the average of our long-term debt measured as of the previous five quarters.

(3) Average equity is equal to the average of our stockholders equity measured as of the previous five quarters.

(4) Rent is multiplied by a factor of six to capitalize operating leases in the determination of pre-tax invested capital.

(5) Average capital lease obligations is equal to the average of our capital lease

obligations measured as of the previous five quarters.

(6) *The trailing four quarters ended May 9, 2009 includes 53 weeks as the fiscal year ended August 30, 2008 includes 17 weeks during the fourth quarter.*

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Reconciliation of Non-GAAP Financial Measure: Adjusted Debt to Earnings before Interest, Taxes, Depreciation, Rent and Share-Based Expense EBITDAR

The following tables reconcile the ratio of adjusted debt to EBITDAR for the trailing four quarters ended May 8, 2010 and May 9, 2009.

(in thousands, except ratio)	A Fiscal Year Ended August 29, 2009	B Thirty-Six Weeks Ended May 9, 2009	A-B=C Sixteen Weeks Ended August 29, 2009	D Thirty-Six Weeks Ended May 8, 2010	C+D Trailing Four Quarters Ended May 8, 2010
Net income	$ 657,049	$ 420,923	$ 236,126	$ 469,378	$ 705,504
Add: Interest expense	142,316	94,554	47,762	109,483	157,245
Income tax expense	376,697	242,989	133,708	267,814	401,522
EBIT	1,176,062	758,466	417,596	846,675	1,264,271
Add: Depreciation expense	180,433	123,273	57,160	129,918	187,078
Rent expense	181,309	123,253	58,056	133,560	191,616
Share-based expense	19,135	13,492	5,643	13,215	18,858
EBITDAR	$ 1,556,939	$ 1,018,484	$ 538,455	$ 1,123,368	$ 1,661,823
Debt					$ 2,698,500
Capital lease obligations					63,337
Add: Rent x 6					1,149,700
Adjusted debt					$ 3,911,537
Adjusted debt / EDITDAR					2.4

(in thousands, except ratio)	A Fiscal Year Ended August 30, 2008	B Thirty-Six Weeks Ended May 3, 2008	A-B=C Seventeen Weeks Ended August 30, 2008	D Thirty-Six Weeks Ended May 9, 2009	C+D Trailing Four Quarters Ended May 9, 2009 (1)
Net income	$ 641,606	$ 397,860	$ 243,746	$ 420,923	$ 664,669
Add: Interest expense	116,745	81,980	34,765	94,554	129,319
Income tax expense	365,783	227,455	138,328	242,989	381,317
EBIT	1,124,134	707,295	416,839	758,466	1,175,305
Add: Depreciation expense	169,509	116,709	52,800	123,273	176,073
Rent expense	165,121	109,319	55,802	123,253	179,055
Share-based expense	18,388	12,630	5,758	13,492	19,250
EBITDAR	$ 1,477,152	$ 945,953	$ 531,199	$ 1,018,484	$ 1,549,683
Debt					$ 2,405,900

Capital lease obligations	57,227
Add: Rent x 6	1,074,322
Adjusted debt	$ 3,537,449
Adjusted debt / EDITDAR	2.3

(1) The trailing four quarters ended May 9, 2009 includes 53 weeks as the fiscal year ended August 30, 2008 includes 17 weeks during the fourth quarter.

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-13, *Revenue Arrangements with Multiple Deliverables*, which amends Accounting Standards Codification (ASC) Topic 605 (formerly Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*). This ASU addresses the accounting for multiple-deliverable revenue arrangements to enable vendors to account for deliverables separately rather than as a combined unit. This ASU will be effective prospectively for revenue arrangements entered into commencing with the Company s first fiscal quarter beginning August 29, 2010. We do not expect the provisions of ASU 2009-13 to have a material effect on the consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which amends ASC 820 (formerly FASB Statement No. 157, *Fair Value Measurements*). This ASU requires a number of additional disclosures regarding fair value measurements such as transfers in and out of Levels 1 and 2 and separate disclosures about activity relating to Level 3 measurements. It also clarifies existing disclosure requirements related to the level of disaggregation and input valuation techniques. This ASU became effective for the Company commencing with the Company s third fiscal quarter beginning February 14, 2010, and its adoption has been reflected within Note C Fair Value Measurements . The provisions of ASU 2010-06 did not have a material effect on the consolidated financial statements.

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Critical Accounting Policies

Preparation of our consolidated financial statements requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements, reported amounts of revenues and expenses during the reporting period and related disclosures of contingent liabilities. Our policies are evaluated on an ongoing basis, and our significant judgments and estimates are drawn from historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results could differ under different assumptions or conditions.

Our critical accounting policies are described in Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2009 Annual Report to Stockholders. Our critical accounting policies have not changed since the filing of our Annual Report on Form 10-K for the year ended August 29, 2009.

Forward-Looking Statements

Certain statements contained in this press release are forward-looking statements. Forward-looking statements typically use words such as believe, anticipate, should, intend, plan, will, expect, estimate, project, and similar expressions. These are based on assumptions and assessments made by our management in light of experience and perception of historical trends, current conditions, expected future developments and other factors that we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including without limitation: credit market conditions; the impact of recessionary conditions; competition; product demand; the ability to hire and retain qualified employees; consumer debt levels; inflation; weather; raw material costs of our suppliers; energy prices; war and the prospect of war, including terrorist activity; construction delays; access to available and feasible financing; and changes in laws or regulations. Certain of these risks are discussed in more detail in the Risk Factors section contained in Item 1A under Part 1 of our Annual Report on Form 10-K for the year ended August 29, 2009, and these Risk Factors should be read carefully. Forward-looking statements are not guarantees of future performance and actual results; developments and business decisions may differ from those contemplated by such forward-looking statements, and events described above and in the Risk Factors could materially and adversely affect our business. Forward-looking statements speak only as of the date made. Except as required by applicable law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Actual results may materially differ from anticipated results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

At May 8, 2010, there have been no material changes to our instruments and positions that are sensitive to market risk since the disclosures in our 2009 Annual Report to Stockholders, except as described below.

The fair value of our debt was estimated at $2.946 billion as of May 8, 2010, and $2.853 billion as of August 29, 2009, based on the quoted market prices for the same or similar debt issues or on the current rates available to AutoZone for debt of the same terms. Such fair value is greater than the carrying value of debt by $247.6 million at May 8, 2010 and $126.5 million at August 29, 2009. We had $249.2 million of variable rate debt outstanding at May 8, 2010, and $277.6 million of variable rate debt outstanding at August 29, 2009. At these borrowing levels for variable rate debt, a one percentage point increase in interest rates would have had an unfavorable annual impact on our pre-tax earnings and cash flows of $2.5 million in fiscal 2010. The primary interest rate exposure on variable rate debt is based on LIBOR. We had outstanding fixed rate debt of $2.449 billion at May 8, 2010, and $2.449 billion at August 29, 2009. A one percentage point increase in interest rates would reduce the fair value of our fixed rate debt by $99.1 million at May 8, 2010, and $105.9 million at August 29, 2009.

Item 4. Controls and Procedures.

As of May 8, 2010, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of May 8, 2010. During or subsequent to the quarter ended May 8, 2010, there were no changes in our internal controls that have materially affected or are reasonably likely to materially affect, internal controls over financial reporting.

Item 4T. Controls and Procedures.

Not applicable.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

As of the date of this filing, there have been no additional material legal proceedings or material developments in the legal proceedings disclosed in Part I, Item 3, of our Annual Report on Form 10-K for the fiscal year ended August 29, 2009.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended August 29, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Shares of common stock repurchased by the Company during the quarter ended May 8, 2010, were as follows:

Issuer Repurchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
February 14, 2010 to March 13, 2010	378,800	$ 167.50	378,800	$ 453,746,636
March 14, 2010 to April 10, 2010	946,012	172.55	946,012	290,511,989
April 11, 2010 to May 8, 2010	225,010	176.43	225,010	250,813,934
Total	1,549,822	$ 171.88	1,549,822	$ 250,813,934

All of the above repurchases were part of publicly announced plans that were authorized by the Company s Board of Directors for the purchase of a maximum of $8.4 billion in common shares as of May 8, 2010. The program was initially announced in January 1998, and was most recently amended on June 15, 2010, to increase the repurchase authorization to $8.9 billion from $8.4 billion. The program does not have an expiration date. Subsequent to May 8, 2010, we have repurchased 816,390 shares of our common stock at an aggregate cost of $153.9 million.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits.

The following exhibits are filed as part of this report:

3.1	Restated Articles of Incorporation of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 10-Q for the quarter ended February 13, 1999.
3.2	Fourth Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 99.2 to the Form 8-K dated September 28, 2007.
12.1	Computation of Ratio of Earnings to Fixed Charges.
15.1	Letter Regarding Unaudited Interim Financial Statements.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Document
*101.LAB	XBRL Taxonomy Extension Labels Document
*101.PRE	XBRL Taxonomy Extension Presentation Document

* In accordance with Regulation S-T, the Interactive Data Files in Exhibit 101 to the Quarterly Report on Form 10-Q shall be deemed furnished and not filed.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTOZONE, INC.

By: /s/ WILLIAM T. GILES
William T. Giles
Chief Financial Officer, Executive Vice President,
Finance, Information Technology and Store Development
(Principal Financial Officer)

By: /s/ CHARLIE PLEAS, III
Charlie Pleas, III
Senior Vice President, Controller
(Principal Accounting Officer)

Dated: June 16, 2010

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EXHIBIT INDEX

The following exhibits are filed as part of this report:

3.1	Restated Articles of Incorporation of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 10-Q for the quarter ended February 13, 1999.
3.2	Fourth Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 99.2 to the Form 8-K dated September 28, 2007.
12.1	Computation of Ratio of Earnings to Fixed Charges.
15.1	Letter Regarding Unaudited Interim Financial Statements.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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