

AUTOZONE INC  
Form 10-Q  
March 08, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended February 11, 2012, or

.. **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)

Edgar Filing: AUTOZONE INC - Form 10-Q

<b>Nevada</b> (State or other jurisdiction of incorporation or organization)	<b>62-1482048</b> (I.R.S. Employer Identification No.)
<b>123 South Front Street, Memphis, Tennessee</b> (Address of principal executive offices)	<b>38103</b> (Zip Code)
<b>(901) 495-6500</b> (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  No

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  No

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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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 38,971,412 shares outstanding as of March 2, 2012.

**Table of Contents**

**TABLE OF CONTENTS**

PART I.	<u>FINANCIAL INFORMATION</u>	3
Item 1.	<u>Financial Statements</u>	3
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	3
	<u>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</u>	4
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	5
	<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	6
	<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	13
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
Item 4.	<u>Controls and Procedures</u>	20
Item 4T.	<u>Controls and Procedures</u>	20
PART II.	<u>OTHER INFORMATION</u>	21
Item 1.	<u>Legal Proceedings</u>	21
Item 1A.	<u>Risk Factors</u>	21
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	21
Item 3.	<u>Defaults Upon Senior Securities</u>	21
Item 4.	<u>Removed and Reserved</u>	21
Item 5.	<u>Other Information</u>	21
Item 6.	<u>Exhibits</u>	22
	<u>SIGNATURES</u>	23
	<u>EXHIBIT INDEX</u>	24

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****AUTOZONE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

<i>(in thousands)</i>	<b>February 11, 2012</b>	<b>August 27, 2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 103,207	\$ 97,606
Accounts receivable	144,790	140,690
Merchandise inventories	2,577,704	2,466,107
Other current assets	82,863	88,022
<b>Total current assets</b>	<b>2,908,564</b>	<b>2,792,425</b>
Property and equipment:		
Property and equipment	4,488,383	4,371,872
Less: Accumulated depreciation and amortization	(1,763,987)	(1,702,997)
	2,724,396	2,668,875
Goodwill	302,645	302,645
Deferred income taxes	19,685	10,661
Other long-term assets	101,174	94,996
	423,504	408,302
	<b>\$ 6,056,464</b>	<b>\$ 5,869,602</b>
<b>Liabilities and Stockholders Deficit</b>		
Current liabilities:		
Accounts payable	\$ 2,824,873	\$ 2,755,853
Accrued expenses and other	430,588	449,327
Income taxes payable	62,150	25,185
Deferred income taxes	169,618	166,449
Short-term borrowings	29,560	34,082
<b>Total current liabilities</b>	<b>3,516,789</b>	<b>3,430,896</b>
Long-term debt	3,434,800	3,317,600
Other long-term liabilities	400,399	375,338
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; 39,452 shares issued and 38,951 shares outstanding as of February 11, 2012; 44,084 shares issued and 40,109 shares outstanding as of	395	441

Edgar Filing: AUTOZONE INC - Form 10-Q

August 27, 2011

Additional paid-in capital	588,234	591,384
Retained deficit	(1,605,514)	(643,998)
Accumulated other comprehensive loss	(106,134)	(119,691)
Treasury stock, at cost	(172,505)	(1,082,368)
Total stockholders' deficit	(1,295,524)	(1,254,232)
	\$ 6,056,464	\$ 5,869,602

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****AUTOZONE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

<i>(in thousands, except per share data)</i>	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	February 11, 2012	February 12, 2011	February 11, 2012	February 12, 2011
Net sales	\$ 1,804,069	\$ 1,660,946	\$ 3,728,411	\$ 3,452,608
Cost of sales, including warehouse and delivery expenses	877,854	815,335	1,818,569	1,699,249
Gross profit	926,215	845,611	1,909,842	1,753,359
Operating, selling, general and administrative expenses	625,564	573,863	1,268,257	1,175,491
Operating profit	300,651	271,748	641,585	577,868
Interest expense, net	38,923	39,576	78,017	76,829
Income before income taxes	261,728	232,172	563,568	501,039
Income taxes	94,798	84,116	205,513	180,908
Net income	\$ 166,930	\$ 148,056	\$ 358,055	\$ 320,131
Weighted average shares for basic earnings per share	39,281	43,399	39,573	44,034
Effect of dilutive stock equivalents	956	979	978	972
Adjusted weighted average shares for diluted earnings per share	40,237	44,378	40,551	45,006
Basic earnings per share	\$ 4.25	\$ 3.41	\$ 9.05	\$ 7.27
Diluted earnings per share	\$ 4.15	\$ 3.34	\$ 8.83	\$ 7.11

**See Notes to Condensed Consolidated Financial Statements.**

**Table of Contents****AUTOZONE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

<i>(in thousands)</i>	<b>Twenty-Four Weeks Ended</b>	
	<b>February 11, 2012</b>	<b>February 12, 2011</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 358,055	\$ 320,131
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization of property and equipment	96,170	88,417
Amortization of debt origination fees	3,573	3,898
Income tax benefit from exercise of stock options	(21,793)	(15,847)
Deferred income taxes	5,956	(1,955)
Share-based compensation expense	15,045	12,119
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(3,796)	(13,903)
Merchandise inventories	(113,450)	(104,770)
Accounts payable and accrued expenses	49,095	65,957
Income taxes payable	58,511	75,513
Other, net	13,848	11,549
<b>Net cash provided by operating activities</b>	<b>461,214</b>	<b>441,109</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(132,430)	(108,357)
Purchase of marketable securities	(18,970)	(22,581)
Proceeds from sale of marketable securities	16,403	19,454
Disposal of capital assets and other, net	5,803	2,158
<b>Net cash used in investing activities</b>	<b>(129,194)</b>	<b>(109,326)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from commercial paper	117,200	25,300
Net (payments) proceeds of short-term borrowings	(3,548)	12,493
Proceeds from issuance of debt		500,000
Repayment of debt		(199,300)
Net proceeds from sale of common stock	33,050	33,249
Purchase of treasury stock	(482,270)	(694,050)
Income tax benefit from exercise of stock options	21,793	15,847
Payments of capital lease obligations	(12,485)	(10,903)
Other, net		(5,450)
<b>Net cash used in financing activities</b>	<b>(326,260)</b>	<b>(322,814)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(159)</b>	<b>632</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,601</b>	<b>9,601</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>97,606</b>	<b>98,280</b>

Edgar Filing: AUTOZONE INC - Form 10-Q

Cash and cash equivalents at end of period	\$ 103,207	\$ 107,881
--	------------	------------

**See Notes to Condensed Consolidated Financial Statements.**



**Table of Contents****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 of the Securities and Exchange Commission's (the SEC) rules and regulations. 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 related notes included in the AutoZone, Inc. (AutoZone or the Company) Annual Report on Form 10-K for the year ended August 27, 2011.

Operating results for the twelve and twenty-four weeks ended February 11, 2012, are not necessarily indicative of the results that may be expected for the fiscal year ending August 25, 2012. 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 2011 and fiscal 2012 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 months of December and January.

**Recent Accounting Pronouncements:** In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income*, which amends Accounting Standards Codification (ASC) Topic 220, *Comprehensive Income*. The purpose of ASU 2011-12 is to defer the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income in ASU 2011-05, *Presentation of Comprehensive Income*, until the FASB is able to reconsider operational concerns related to ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. The Company does not expect the provisions of ASU 2011-05 or ASU 2011-12 to have a material impact on the consolidated financial statements. Both ASU 2011-05 and ASU 2011-12 will be effective for the Company's fiscal year ending August 31, 2013, including interim periods within that year.

**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, restricted stock grants, restricted stock unit grants and the discount on shares sold to employees under share purchase plans. Additionally, directors' fees are paid in restricted stock units with value equivalent to the value of shares of common stock as of the grant date. The change in fair value of liability-based stock awards is also recognized in share-based compensation expense.

Total share-based compensation expense (a component of Operating, selling, general and administrative expenses) was \$7.5 million for the twelve week period ended February 11, 2012, and was \$7.0 million for the comparable prior year period. Share-based compensation expense was \$15.0 million for the twenty-four week period ended February 11, 2012, and was \$12.1 million for the comparable prior year period.

During the twenty-four week period ended February 11, 2012, 294,387 shares of stock options were exercised at a weighted average exercise price of \$113.18. In the comparable prior year period, 339,370 shares of stock options were exercised at a weighted average exercise price of \$101.44.

The Company made stock option grants of 377,130 shares during the twenty-four week period ended February 11, 2012, and granted options to purchase 424,780 shares during the comparable prior year period. The weighted average fair value of the stock option awards granted during the twenty-four week periods ended February 11, 2012, and February 12, 2011, using the Black-Scholes-Merton multiple-option pricing valuation model, was \$93.42 and \$58.58 per share, respectively, using the following weighted average key assumptions:

**Twenty-Four Weeks Ended**

## Edgar Filing: AUTOZONE INC - Form 10-Q

	February 11, 2012	February 12, 2011
Expected price volatility	31%	31%
Risk-free interest rate	0.7%	1.0%
Weighted average expected lives (in years)	5.3	4.3
Forfeiture rate	10%	10%
Dividend yield	0%	0%

See AutoZone's Annual Report on Form 10-K for the year ended August 27, 2011, for a discussion regarding the methodology used in developing AutoZone's assumptions to determine the fair value of the option awards and a description of AutoZone's 2011 Equity Incentive Award Plan and the 2011 Director Compensation Program.

For the twelve week period ended February 11, 2012, 1,500 stock options were excluded from the diluted earnings per share computation because they would have been anti-dilutive. For the comparable prior year period, 1,260 anti-dilutive shares were excluded from the diluted earnings per share computation. There were 1,500 anti-dilutive shares excluded from the diluted earnings per share computation for the twenty-four week period ended February 11, 2012, and 1,260 anti-dilutive shares excluded for the comparable prior year.

**Table of Contents****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.

*Financial Assets & Liabilities Measured at Fair Value on a Recurring Basis*

The Company's assets and liabilities measured at fair value on a recurring basis were as follows:

<i>(in thousands)</i>	February 11, 2012			Fair Value
	Level 1	Level 2	Level 3	
Other current assets	\$ 13,624	\$	\$	\$ 13,624
Other long-term assets	55,734	6,169		61,903
	\$ 69,358	\$ 6,169	\$	\$ 75,527

<i>(in thousands)</i>	August 27, 2011			Fair Value
	Level 1	Level 2	Level 3	
Other current assets	\$ 11,872	\$	\$	\$ 11,872
Other long-term assets	55,390	5,869		61,259
	\$ 67,262	\$ 5,869	\$	\$ 73,131

At February 11, 2012, the fair value measurement amounts for assets and liabilities recorded in the accompanying Condensed Consolidated Balance Sheet consisted of short-term marketable securities of \$13.6 million, which are included within Other current assets, and long-term marketable securities of \$61.9 million, which are included in Other long-term assets. The Company's marketable securities are typically valued at the closing price in the principal active market as of the last business day of the quarter or through the use of other market inputs relating to the securities, including benchmark yields and reported trades. The fair values of the marketable securities, by asset class, are described in Note D Marketable Securities .

*Non-Financial Assets measured at Fair Value on a Non-Recurring Basis*

Non-financial assets could be required to be measured at fair value on a non-recurring basis in certain circumstances, including the event of impairment. The assets could include assets acquired in an acquisition as well as property, plant and equipment that are determined to be impaired. During the twenty-four week periods ended February 11, 2012 and February 12, 2011, the Company did not have any significant

## Edgar Filing: AUTOZONE INC - Form 10-Q

non-financial assets measured at fair value on a non-recurring basis in periods subsequent to initial recognition.

### *Financial Instruments not Recognized at Fair Value*

The Company has financial instruments, including cash and cash equivalents, accounts receivable, other current assets and accounts payable. The carrying amounts of these financial instruments 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 H Financing .

**Table of Contents****Note D Marketable Securities**

The Company's basis for determining the cost of a security sold is the Specific Identification Model. Unrealized gains (losses) on marketable securities are recorded in Accumulated other comprehensive loss. The Company's available-for-sale marketable securities consisted of the following:

<i>(in thousands)</i>	February 11, 2012			
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate securities	\$ 25,756	\$ 261	\$ (23)	\$ 25,994
Government bonds	28,710	232	(4)	28,938
Mortgage-backed securities	3,413	22	(17)	3,418
Asset-backed securities and other	17,081	96		17,177
	<b>\$ 74,960</b>	<b>\$ 611</b>	<b>\$ (44)</b>	<b>\$ 75,527</b>

<i>(in thousands)</i>	August 27, 2011			
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate securities	\$ 26,261	\$ 229	\$ (45)	\$ 26,445
Government bonds	29,464	343		29,807
Mortgage-backed securities	4,291	55		4,346
Asset-backed securities and other	12,377	156		12,533
	<b>\$ 72,393</b>	<b>\$ 783</b>	<b>\$ (45)</b>	<b>\$ 73,131</b>

The debt securities held at February 11, 2012, had effective maturities ranging from less than one year to approximately 3 years. The Company did not realize any material gains or losses on its marketable securities during the twenty-four week period ended February 11, 2012.

The Company holds eight securities that are in an unrealized loss position of approximately \$44 thousand at February 11, 2012. 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 credit worthiness of the investee, the term to maturity and the intent and ability to hold the investments until maturity or until recovery of fair value.

**Note E Derivative Financial Instruments**

During the first quarter of fiscal 2011, the Company was party to three forward starting swaps, of which two were entered into during the fourth quarter of fiscal 2010 and one was entered into during the first quarter of fiscal 2011. These agreements were designated as cash flow hedges and were used to hedge the exposure to variability in future cash flows resulting from changes in variable interest rates related to the \$500 million Senior Note debt issuance during the first quarter of fiscal 2011. The swaps had notional amounts of \$150 million, \$150 million and \$100 million with associated fixed rates of 3.15%, 3.13%, and 2.57%, respectively. The swaps were benchmarked based on the 3-month London InterBank Offered Rate (LIBOR). These swaps expired in November 2010 and resulted in a loss of \$11.7 million, which has been deferred in accumulated other comprehensive loss and will be reclassified to Interest expense over the life of the underlying debt. The hedges remained highly effective until they expired; therefore, no ineffectiveness was recognized in earnings.

At February 11, 2012, the Company had \$3.9 million recorded in Accumulated other comprehensive loss related to net realized losses associated with terminated interest rate swap derivatives which were designated as hedges. Net losses are amortized into Interest expense over the

## Edgar Filing: AUTOZONE INC - Form 10-Q

remaining life of the associated debt. During the twenty-four week period ended February 11, 2012, the Company reclassified \$813 thousand of net losses from Accumulated other comprehensive loss to Interest expense. In the comparable prior year period, the Company reclassified \$453 thousand of net losses from Accumulated other comprehensive loss to Interest expense. The Company expects to reclassify \$1.5 million of net losses from Accumulated other comprehensive loss to Interest expense over the next 12 months.

### **Note F 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 \$261.0 million at February 11, 2012, and \$253.3 million at August 27, 2011.

**Table of Contents****Note G Pension and Savings Plans**

The components of net periodic pension expense related to the Company's pension plans consisted of the following:

<i>(in thousands)</i>	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	February 11, 2012	February 12, 2011	February 11, 2012	February 12, 2011
Interest cost	\$ 2,819	\$ 2,570	\$ 5,637	\$ 5,139
Expected return on plan assets	(2,704)	(2,152)	(5,408)	(4,304)
Amortization of net loss	2,260	2,170	4,521	4,341
Net periodic pension expense	\$ 2,375	\$ 2,588	\$ 4,750	\$ 5,176

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 twenty-four week period ended February 11, 2012, the Company made contributions to its funded plan in the amount of \$2.6 million. The Company expects to contribute approximately \$14.1 million to the plan during the remainder of fiscal 2012; however, a change to the expected cash funding may be impacted by a change in interest rates or a change in the actual or expected return on plan assets.

**Note H Financing**

The Company's long-term debt consisted of the following:

<i>(in thousands)</i>	February 11, 2012	August 27, 2011
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
6.500% Senior Notes due January 2014, effective interest rate of 6.63%	500,000	500,000
5.750% Senior Notes due January 2015, effective interest rate of 5.89%	500,000	500,000
5.500% Senior Notes due November 2015, effective interest rate of 4.86%	300,000	300,000
6.950% 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
4.000% Senior Notes due November 2020, effective interest rate of 4.43%	500,000	500,000
Commercial paper, weighted average interest rate of 0.43% and 0.35% at February 11, 2012 and August 27, 2011, respectively	684,800	567,600
	\$ 3,434,800	\$ 3,317,600

As of February 11, 2012, the commercial paper borrowings and the 5.875% Senior Notes due October 2012 mature in the next twelve months, but are classified as long-term in the accompanying Condensed Consolidated Balance Sheets, as the Company has the ability and intent to refinance them on a long-term basis. Specifically, excluding the effect of commercial paper borrowings, the Company had \$996.6 million of availability under its \$1.0 billion revolving credit facility, expiring in September 2016, which would allow it to replace these short-term obligations with long-term financing.

In addition to the long-term debt discussed above, as of February 11, 2012, the Company had \$29.6 million of short-term borrowings that are scheduled to mature in the next 12 months. The short-term borrowings are unsecured, peso-denominated borrowings and accrued interest at 4.64% as of February 11, 2012.

In September 2011, the Company amended and restated its \$800 million revolving credit facility, which was scheduled to expire in July 2012. The capacity under the revolving credit facility was increased to \$1.0 billion. This credit facility is available to primarily support commercial

## Edgar Filing: AUTOZONE INC - Form 10-Q

paper borrowings, letters of credit and other short-term unsecured bank loans. The capacity of the credit facility may be increased to \$1.250 billion prior to the maturity date at the Company'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 \$175 million in capital leases each fiscal year. Under the revolving credit facility, the Company may borrow funds consisting of Eurodollar loans or base rate loans. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as LIBOR plus the applicable percentage, as defined in the revolving credit facility, depending upon the Company's senior, unsecured, (non-credit enhanced) long-term debt rating. Interest accrues on base rate loans as defined in the credit facility. The Company also has the option to borrow funds under the terms of a swingline loan subfacility. The revolving credit facility expires in September 2016.

The fair value of the Company's debt was estimated at \$3.730 billion as of February 11, 2012, and \$3.633 billion as of August 27, 2011, 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 \$265.6 million at February 11, 2012, and \$281.0 million at August 27, 2011.

### **Note I Stock Repurchase Program**

From January 1, 1998 to February 11, 2012, the Company has repurchased a total of 128.8 million shares at an aggregate cost of \$10.7 billion, including 1,455,046 shares of its common stock at an aggregate cost of \$482.3 million during the twenty-four week period ended February 11, 2012. On September 28, 2011, the Board voted to increase the authorization by \$750 million to raise the cumulative share repurchase authorization from \$10.4 billion to \$11.15 billion. Considering cumulative repurchases as of February 11, 2012, the Company had \$486.4 million remaining under the Board's authorization to repurchase its common stock.



**Table of Contents**

On March 7, 2012, the Board voted to increase the authorization by \$750 million to raise the cumulative share repurchase authorization from \$11.15 billion to \$11.9 billion. Subsequent to February 11, 2012, the Company has repurchased 26,240 shares of its common stock at an aggregate cost of \$10.0 million.

During the twenty-four week period ended February 11, 2012, the Company retired 4.9 million shares of treasury stock which had previously been repurchased under the Company's share repurchase program. The retirement increased Retained deficit by \$1,319.6 million and decreased Additional paid-in capital by \$72.5 million. During the comparable prior year period, the Company retired 6.6 million shares of treasury stock, which increased Retained deficit by \$1,247.7 million and decreased Additional paid-in capital by \$82.2 million.

**Note J 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.

Comprehensive income consisted of the following:

(in thousands)	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	February 11, 2012	February 12, 2011	February 11, 2012	February 12, 2011
Net income	\$ 166,930	\$ 148,056	\$ 358,055	\$ 320,131
Foreign currency translation adjustments	20,726	3,614	(3,261)	16,282
Net impact from derivative instruments	255	(3,939)	3,132	(4,998)
Pension liability adjustments	3,378	1,620	13,797	3,243
Unrealized gains (losses) from marketable securities	150	(327)	(111)	(400)
Comprehensive income	\$ 191,439	\$ 149,024	\$ 371,612	\$ 334,258

**Note K Litigation**

The Company was a defendant in a lawsuit entitled Coalition for a Level Playing Field, L.L.C., et al., v. AutoZone, Inc. et al., filed in the U.S. District Court for the Southern District of New York in October 2004. The case was originally filed by more than 200 plaintiffs, which are principally automotive aftermarket warehouse distributors and jobbers, against a number of defendants, including automotive aftermarket retailers and aftermarket automotive parts manufacturers. In the amended complaint, the plaintiffs alleged, *inter alia*, that some or all of the automotive aftermarket retailer defendants had knowingly received, in violation of the Robinson-Patman Act (the Act), from various of the manufacturer defendants benefits such as volume discounts, rebates, early buy allowances and other allowances, fees, inventory without payment, sham advertising and promotional payments, a share in the manufacturers' profits, benefits of pay-on-scan purchases, implementation of radio frequency identification technology, and excessive payments for services purportedly performed for the manufacturers. Additionally, a subset of plaintiffs alleged a claim of fraud against the automotive aftermarket retailer defendants based on discovery issues in a prior litigation involving similar claims under the Act. In the prior litigation, the discovery dispute, as well as the underlying claims, was decided in favor of AutoZone and the other automotive aftermarket retailer defendants who proceeded to trial, pursuant to a unanimous jury verdict which was affirmed by the Second Circuit Court of Appeals. In the current litigation, the plaintiffs sought an unspecified amount of damages (including statutory trebling), attorneys' fees, and a permanent injunction prohibiting the aftermarket retailer defendants from inducing and/or knowingly receiving discriminatory prices from any of the aftermarket manufacturer defendants and from opening up any further stores to compete with the plaintiffs as long as the defendants allegedly continue to violate the Act.

In an order dated September 7, 2010, and issued on September 16, 2010, the court granted motions to dismiss all claims against AutoZone and its co-defendant competitors and suppliers. Based on the record in the prior litigation, the court dismissed with prejudice all overlapping claims that is, those covering the same time periods covered by the prior litigation and brought by the judgment plaintiffs in the prior litigation. The court also dismissed with prejudice the plaintiffs' attempt to revisit discovery disputes from the prior litigation. Further, with respect to the other claims under the Act, the court found that the factual statements contained in the complaint fall short of what would be necessary to support a plausible inference of unlawful price discrimination. Finally, the court held that the AutoZone pay-on-scan program is a difference in non-price

## Edgar Filing: AUTOZONE INC - Form 10-Q

terms that are not governed by the Act. The court ordered the case closed, but also stated that in an abundance of caution the Court [was] defer[ring] decision on whether to grant leave to amend to allow plaintiff an opportunity to propose curative amendments. The plaintiffs filed a motion for leave to amend their complaint and attached a proposed Third Amended and Supplemental Complaint (the Third Amended Complaint ) on behalf of four plaintiffs. The Third Amended Complaint repeated and expanded certain allegations from previous complaints, asserting two claims under the Act, but stated that all other plaintiffs have withdrawn their claims, and that, *inter alia*, Chief Auto Parts, Inc. had been dismissed as a defendant. AutoZone and the co-defendants filed an opposition to the motion seeking leave to amend.

## **Table of Contents**

In an order dated September 28, 2011, the court denied the four remaining plaintiffs' motion for leave to file a Third Amended Complaint because the proposed Third Amended Complaint failed to address deficiencies previously identified by the court. On October 26, 2011, an appeal of the dismissal was filed by 143 plaintiffs to the United States Court of Appeals for the Second Circuit. Briefing by both sides will proceed over the next several months and will likely be followed by oral argument.

The Company believes this suit to be without merit and is vigorously defending against it. The Company is unable to estimate a loss or possible range of loss.

In 2004, the Company acquired a store site in Mount Ephraim, New Jersey that had previously been the site of a gasoline service station and contained evidence of groundwater contamination. Upon acquisition, the Company voluntarily reported the groundwater contamination issue to the New Jersey Department of Environmental Protection and entered into a Voluntary Remediation Agreement providing for the remediation of the contamination associated with the property. The Company has conducted and paid for (at an immaterial cost to the Company) remediation of visible contamination on the property and is investigating, and will be addressing, potential vapor intrusion impacts in downgradient residences and businesses. The New Jersey Department of Environmental Protection has indicated that it will assert that the Company is liable for the downgradient impacts under a joint and severable liability theory, and the Company intends to contest any such assertion. Pursuant to the Voluntary Remediation Agreement, upon completion of all remediation required by the agreement, the Company believes it should be eligible to be reimbursed up to 75 percent of qualified remediation costs by the State of New Jersey. The Company has asked the state for clarification that the agreement applies to off-site work, and the state is considering the request. Although the aggregate amount of additional costs that the Company may incur pursuant to the remediation cannot currently be ascertained, the Company does not currently believe that fulfillment of its obligations under the agreement or otherwise will result in costs that are material to its financial condition, results of operations or cash flow.

The Company is involved in various other legal proceedings incidental to the conduct of its business, including several lawsuits containing class-action allegations in which the plaintiffs are current and former hourly and salaried employees who allege various wage and hour violations and unlawful termination practices. The Company does not currently believe that, either individually or in the aggregate, these matters will result in liabilities material to the Company's financial condition, results of operations or cash flows.

## **Note L 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 Annual Report on Form 10-K for the year ended August 27, 2011.

The Auto Parts Stores segment is a retailer and distributor of automotive parts and accessories through the Company's 4,867 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.

**Table of Contents**

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](http://www.autozone.com).

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 were as follows:

<i>(in thousands)</i>	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	February 11, 2012	February 12, 2011	February 11, 2012	February 12, 2011
<b>Net Sales</b>				
Auto Parts Stores	\$ 1,762,903	\$ 1,623,949	\$ 3,647,041	\$ 3,378,936
Other	41,166	36,997	81,370	73,672
Total	\$ 1,804,069	\$ 1,660,946	\$ 3,728,411	\$ 3,452,608
<b>Segment Profit</b>				
Auto Parts Stores	\$ 894,493	\$ 816,692	\$ 1,846,850	\$ 1,695,558
Other	31,722	28,919	62,992	57,801
Gross profit	926,215	845,611	1,909,842	1,753,359
Operating, selling, general and administrative expenses	(625,564)	(573,863)	(1,268,257)	(1,175,491)
Interest expense, net	(38,923)	(39,576)	(78,017)	(76,829)
Income before income taxes	\$ 261,728	\$ 232,172	\$ 563,568	\$ 501,039

**Table of Contents**

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 February 11, 2012, the related condensed consolidated statements of income for the twelve and twenty-four week periods ended February 11, 2012 and February 12, 2011, and the condensed consolidated statements of cash flows for the twenty-four week periods ended February 11, 2012 and February 12, 2011. 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 27, 2011, and the related consolidated statements of income, stockholders' deficit, and cash flows for the year then ended, not presented herein, and, in our report dated October 24, 2011, 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 27, 2011, 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

March 8, 2012

---

## **Table of Contents**

### **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 in the United States. We began operations in 1979 and at February 11, 2012, operated 4,580 stores in the United States, including Puerto Rico, and 287 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 February 11, 2012, in 2,825 of our domestic stores, we also have a commercial sales program that provides commercial credit and 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](http://www.alldata.com) and [www.alldatadiy.com](http://www.alldatadiy.com). Additionally, we sell automotive hard parts, maintenance items, accessories, and non-automotive products through [www.autozone.com](http://www.autozone.com), and our commercial customers can make purchases through [www.autozonepro.com](http://www.autozonepro.com). We do not derive revenue from automotive repair or installation services.

Operating results for the twelve and twenty-four weeks ended February 11, 2012, are not necessarily indicative of the results that may be expected for the fiscal year ending August 25, 2012. 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 2011 and fiscal 2012 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 months of December and January.

#### **Executive Summary**

Net sales were up 8.6% for the quarter, driven by domestic same store sales growth of 5.9%. We experienced sales growth from both our retail and commercial customers. Earnings per share increased 24.4% for the quarter.

Over the past several years, various factors have occurred within the economy that affect both our consumer and our industry, including the impact of the recession, continued high unemployment and other challenging economic conditions, which we believe have aided our sales growth during the quarter. As consumers' cash flows have decreased due to these factors, we believe consumers have become more likely to keep their current vehicles longer and perform repair and maintenance in order to keep those vehicles well maintained. 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.

More recently, we feel other macroeconomic factors have adversely impacted both our consumer and our industry. During the second quarter of fiscal 2012, the average price per gallon of unleaded gasoline in the United States was \$3.52, up \$0.38 or 11% from \$3.14 in the comparable prior year period. We believe that the increase in gas prices is reducing discretionary spending for all consumers, and, in particular, our customers. Given the unpredictability of gas prices, we cannot predict whether gas prices will increase or decrease, nor can we predict how any future changes in gas prices will impact our sales in future periods.

Our primary response to fluctuations in the demand for the products we sell are to adjust our inventory levels, store staffing, and advertising messages. We continue to believe we are well positioned to help our customers save money and meet their needs in a challenging macro environment.

Historically, the two statistics that we believed had the closest correlation to our market growth over the long-term were miles driven and the number of seven year old or older vehicles on the road. While over the long-term, we have seen a close correlation between our net sales and the number of miles driven, we have also seen short time frames of minimal correlation in sales performance and miles driven. During the periods 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 fiscal year 2011 and through December 2011 (latest publicly available information), miles driven have decreased slightly as compared to the corresponding prior year period, while the average age of the U.S. light vehicle fleet continues to trend in our industry's favor. We believe that annual miles driven will return to a low single digit growth rate over time and that the number of seven year old or older vehicles will continue to increase; however, we are unable to predict the impact, if any, these indicators will have on future results.

In the second quarter, we believe that weather had an impact in the mix of products that we sold. Typically, failure related categories contribute the largest percentage of our sales in any quarter. While this trend continued during second quarter, we did experience a slight decline in mix of failure related categories as compared to the prior year. Conversely, the maintenance and discretionary categories experienced a slight increase in mix as compared to the prior year. 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.



## **Table of Contents**

### **Twelve Weeks Ended February 11, 2012,**

#### **Compared with Twelve Weeks Ended February 12, 2011**

Net sales for the twelve weeks ended February 11, 2012, increased \$143.1 million to \$1.804 billion, or 8.6%, over net sales of \$1.661 billion for the comparable prior year period. Total auto parts sales increased by 8.6%, primarily driven by a domestic same store sales (sales for stores open at least one year) increase of 5.9% and net sales of \$47.3 million from new stores. The domestic same store sales increase was driven by higher transaction value, partially offset by decreased transaction counts. Higher transaction value is attributable to product inflation due to more complex, costly products and commodity price increases.

Gross profit for the twelve weeks February 11, 2012, was \$926.2 million, or 51.3% of net sales, compared with \$845.6 million, or 50.9% of net sales, during the comparable prior year period. The improvement in gross margin was primarily attributable to lower shrink expense (35 basis points).

Operating, selling, general and administrative expenses for the twelve weeks ended February 11, 2012, were \$625.6 million, or 34.7% of net sales, compared with \$573.9 million, or 34.6% of net sales, during the comparable prior year period. The primary contributor to the increase in operating expenses was higher self insurance costs (59 basis points), partially offset by leverage of other operating expenses due to higher sales volumes.

Net interest expense for the twelve weeks ended February 11, 2012, was \$38.9 million compared with \$39.6 million during the comparable prior year period. This decrease was primarily due to a decrease in borrowing rates, offset by the increase in debt over the comparable prior year period. Average borrowings for the twelve weeks ended February 11, 2012, were \$3.428 billion, compared with \$3.145 billion for the comparable prior year period. Weighted average borrowing rates were 4.7% for the twelve weeks ended February 11, 2012, and 5.0% for the twelve weeks ended February 12, 2011.

Our effective income tax rate was 36.2% of pretax income for the twelve weeks ended February 11, 2012, and 36.2% for the comparable prior year period.

Net income for the twelve week period ended February 11, 2012, increased by \$18.9 million to \$166.9 million, and diluted earnings per share increased by 24.4% to \$4.15 from \$3.34 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 \$0.35.

### **Twenty-Four Weeks Ended February 11, 2012,**

#### **Compared with Twenty-Four Weeks Ended February 12, 2011**

Net sales for the twenty-four weeks ended February 11, 2012, increased \$275.8 million to \$3.728 billion, or 8.0% over net sales of \$3.453 billion for the comparable prior year period. Total auto parts sales increased by 7.9%, primarily driven by an increase in domestic comparable store sales of 5.2% and net sales of \$94.5 million from new stores. The domestic same store sales increase was driven by higher transaction value and, partially offset by decreased transaction count trends.

Gross profit for the twenty-four weeks ended February 11, 2012, was \$1.910 billion, or 51.2% of net sales, compared with \$1.753 billion, or 50.8% of net sales, during the comparable prior year period. The improvement in gross margin was primarily attributable to lower shrink expense (26 basis points) and distribution costs leveraging on higher sales (21 basis points).

Operating, selling, general and administrative expenses for the twenty-four weeks ended February 11, 2012, were \$1.268 billion, or 34.0% of net sales, compared with \$1.175 billion, or 34.0% of net sales, during the comparable prior year period. The slight improvement in operating expenses was due to lower incentive compensation (21 basis points), favorable legal expense (20 basis points) and leverage from higher sales volumes, partially offset by higher self insurance costs (55 basis points).

Net interest expense for the twenty-four weeks ended February 11, 2012, was \$78.0 million compared with \$76.8 million during the comparable prior year period. This increase was primarily due to the increase in debt over the comparable prior year period, partially offset by a decline in borrowing rates. Average borrowings for the twenty-four weeks ended February 11, 2012, were \$3.357 billion, compared with \$3.003 billion for the comparable prior year period. Weighted average borrowing rates were 4.8% for the twenty-four weeks ended February 11, 2012, and 5.2% for the twenty-four weeks ended February 12, 2011.



## Edgar Filing: AUTOZONE INC - Form 10-Q

Our effective income tax rate was 36.5% of pretax income for the twenty-four weeks ended February 11, 2012, and 36.1% for the comparable prior year period.

Net income for the twenty-four week period ended February 11, 2012, increased by \$37.9 million to \$358.1 million, and diluted earnings per share increased by 24.1% to \$8.83 from \$7.11 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 \$0.67.

---

**Table of Contents****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 twenty-four weeks ended February 11, 2012, our net cash flows from operating activities provided \$461.2 million as compared with \$441.1 million provided during the comparable prior year period. The increase is primarily due to higher net income, partially offset by the timing of income tax payments.

Our net cash flows from investing activities for the twenty-four weeks ended February 11, 2012, used \$129.2 million as compared with \$109.3 million used in the comparable prior year period. Capital expenditures for the twenty-four weeks ended February 11, 2012, were \$132.4 million compared to \$108.4 million for the comparable prior year period. The increase is primarily driven by a shift in the mix in types of stores opened, as well as increased store openings and increased investment in our hub initiative. During this twenty-four week period, we opened 54 net new stores. In the comparable prior year period, we opened 47 net new stores. Investing cash flows were also impacted by our wholly owned insurance captive, which purchased \$19.0 million and sold \$16.4 million in marketable securities during the twenty-four weeks ended February 11, 2012. During the comparable prior year period, the captive purchased \$22.6 million in marketable securities and sold \$19.5 million in marketable securities. Capital asset disposals provided \$5.8 million during the twenty-four week period ended February 11, 2012, and \$2.2 million in the comparable prior year period.

Our net cash flows from financing activities for the twenty-four weeks ended February 11, 2012, used \$326.3 million compared to \$322.8 million used in the comparable prior year period. There were no proceeds from the issuance of debt for the current twenty-four week period ended February 11, 2012. During the comparable prior year, proceeds from the issuance of debt totaled \$500.0 million. Those proceeds were used for the repayment of debt of \$199.3 million, the repayment of a portion of our commercial paper borrowings, and general corporate purposes. For the twenty-four weeks ended February 11, 2012, net proceeds from borrowings of commercial paper and short-term borrowings were \$113.7 million as compared to net borrowings of \$37.8 million in the comparable prior year period. Stock repurchases were \$482.3 million in the current twenty-four week period as compared with \$694.1 million in the comparable prior year period. For the twenty-four weeks ended February 11, 2012, proceeds from the sale of common stock and exercises of stock options provided \$54.8 million, including \$21.8 million in related tax benefits. In the comparable prior year period, proceeds from the sale of common stock and exercises of stock options provided \$49.1 million, including \$15.8 million in related tax benefits.

During fiscal 2012, we expect to invest in our business at an increased rate as compared to fiscal 2011. Our investment is expected to be 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 is impacted by different factors, including such factors as whether the building and land are purchased (requiring higher investment) or leased (generally lower investment), located in the United States or Mexico, or located in urban or rural areas. During fiscal 2011 and fiscal 2010, our capital expenditures increased by approximately 2% and 16%, respectively, as compared to the prior year, and we expect our capital expenditures for fiscal 2012 to increase by 20% to 25% as compared to fiscal 2011. 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 per store during recent years. We expect this trend to continue during the remainder of the fiscal year ending August 25, 2012.

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 had an accounts payable to inventory ratio of 110% at February 11, 2012, as compared to 104% at February 12, 2011. 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), we anticipate that we will rely primarily on internally generated funds and available borrowing capacity to support a majority of our capital expenditures, working capital requirements and stock repurchases. 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 favorable experiences in the debt markets in the past.

For the trailing four quarters ended February 11, 2012, our after-tax return on invested capital ( ROIC ) was 32.2% as compared to 29.3% 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.

*Debt Facilities*

## Edgar Filing: AUTOZONE INC - Form 10-Q

In September 2011, we amended and restated our \$800 million revolving credit facility, which was scheduled to expire in July 2012. The capacity under the revolving credit facility was increased to \$1.0 billion. This credit facility is available to primarily support commercial paper borrowings, letters of credit and other short-term, unsecured bank loans. The capacity of the credit facility may be increased to \$1.250 billion prior to the maturity date at our election and subject to bank credit capacity and approval, may include up to \$200 million in letters of credit, and may include up to \$175 million in capital leases each fiscal year. Under the revolving credit facility, we may borrow funds consisting of Eurodollar loans or base rate loans. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as the London InterBank Offered Rate ( LIBOR ) plus the applicable percentage, as defined in the revolving credit facility, depending upon our senior, unsecured, (non-credit enhanced) long-term debt rating. Interest accrues on base rate loans as defined in the revolving credit facility. We also have the option to borrow funds under the terms of a swingline loan subfacility. The revolving credit facility expires in September 2016.

As the available balance is reduced by commercial paper borrowings and certain outstanding letters of credit, we had \$283.5 million in available capacity under our \$1.0 billion credit facility at February 11, 2012.

**Table of Contents**

We also maintain a letter of credit facility that allows us to request the participating bank to issue letters of credit on our behalf up to an aggregate amount of \$100 million. The letter of credit facility is in addition to the letters of credit that may be issued under the revolving credit facility. As of February 11, 2012, we have \$98.7 million in letters of credit outstanding under the letter of credit facility, which expires in June 2013.

On November 15, 2010, we issued \$500 million in 4.000% Senior Notes due 2020 under our shelf registration statement filed with the Securities and Exchange Commission on July 29, 2008 (the Shelf Registration). The Shelf Registration allows us to sell an indeterminate amount in debt securities to fund general corporate purposes, including repaying, redeeming or repurchasing outstanding debt and for working capital, capital expenditures, new store openings, stock repurchases and acquisitions. During the quarter ended November 20, 2010, we used the proceeds from the issuance of debt to repay the principal due relating to the 4.750% Senior Notes that matured on November 15, 2010, to repay a portion of the commercial paper borrowings and for general corporate purposes.

The 6.500% and 7.125% Senior Notes issued during August 2008, and the 5.750% Senior Notes issued in July 2009, are subject to an interest rate adjustment if the debt ratings assigned to the notes are downgraded. These notes, along with the 4.000% Senior Notes issued in November 2010, 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 February 11, 2012, we were in compliance with all covenants and expect to remain in compliance with all covenants.

Our adjusted debt to earnings before interest, taxes, depreciation, amortization, rent and share-based expense (EBITDAR) ratio was 2.4:1 as of February 11, 2012, and was 2.5:1 as of February 12, 2011. 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.

*Stock Repurchases*

From January 1, 1998 to February 11, 2012, we have repurchased a total of 128.8 million shares at an aggregate cost of \$10.7 billion, including 1,455,046 shares of our common stock at an aggregate cost of \$482.3 million during the twenty-four week period ended February 11, 2012. On September 28, 2011, the Board of Directors (the Board) voted to increase the authorization by \$750 million to raise the cumulative share repurchase authorization from \$10.4 billion to \$11.15 billion. Considering cumulative repurchases as of February 11, 2012, we have \$486.4 million remaining under the Board's authorization to repurchase our common stock.

On March 7, 2012, the Board voted to increase the authorization by \$750 million to raise the cumulative share repurchase authorization from \$11.15 billion to \$11.9 billion. Subsequent to February 11, 2012, we have repurchased 26,240 shares of our common stock at an aggregate cost of \$10.0 million.

**Off-Balance Sheet Arrangements**

Since our fiscal year end, we have cancelled, issued and modified stand-by letters of credit that are primarily renewed on an annual basis to cover deductible payments to our casualty insurance carriers. Our total stand-by letters of credit commitment at February 11, 2012, was \$102.3 million compared with \$96.6 million at August 27, 2011, and our total surety bonds commitment at February 11, 2012, was \$31.1 million compared with \$26.3 million at August 27, 2011.

**Financial Commitments**

As of February 11, 2012, there were no significant changes to our contractual obligations as described in our Annual Report on Form 10-K for the year ended August 27, 2011.

**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 U.S. 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

## Edgar Filing: AUTOZONE INC - Form 10-Q

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. 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.

**Table of Contents***Reconciliation of Non-GAAP Financial Measure: After-Tax Return on Invested Capital ROIC*

The following tables calculate the percentages of ROIC for the trailing four quarters ended February 11, 2012 and February 12, 2011.

	00000000000 A	00000000000 B	00000000000 A-B=C	00000000000 D	00000000000 C+D
	Fiscal Year Ended August 27, 2011	Twenty-Four Weeks Ended February 12, 2011	Twenty-Eight Weeks Ended August 27, 2011	Twenty-Four Weeks Ended February 11, 2012	Trailing Four Quarters Ended February 11, 2012
<i>(in thousands, except percentage)</i>					
Net income	\$ 848,974	\$ 320,131	\$ 528,843	\$ 358,055	\$ 886,898
Adjustments:					
Interest expense	170,557	76,829	93,728	78,017	171,745
Rent expense	213,846	96,692	117,154	103,721	220,875
Tax effect <sup>(1)</sup>	(138,562)	(62,548)	(76,014)	(65,509)	(141,523)
After-tax return	\$ 1,094,815	\$ 431,104	\$ 663,711	\$ 474,284	\$ 1,137,995
Average debt <sup>(2)</sup>					\$ 3,328,075
Average deficit <sup>(3)</sup>					(1,210,962)
Rent x 6 <sup>(4)</sup>					1,325,250
Average capital lease obligations <sup>(5)</sup>					88,413
Pre-tax invested capital					\$ 3,530,776
ROIC					32.2%

	00000000000 A	00000000000 B	00000000000 A-B=C	00000000000 D	00000000000 C+D
	Fiscal Year Ended August 28, 2010	Twenty-Four Weeks Ended February 13, 2010	Twenty-Eight Weeks Ended August 28, 2010	Twenty-Four Weeks Ended February 12, 2011	Trailing Four Quarters Ended February 12, 2011
<i>(in thousands, except percentage)</i>					
Net income	\$ 738,311	\$ 266,633	\$ 471,678	\$ 320,131	\$ 791,809
Adjustments:					
Interest expense	158,909	72,650	86,259	76,829	163,088
Rent expense	195,632	88,106	107,526	96,692	204,218
Tax effect <sup>(1)</sup>	(128,983)	(58,355)	(70,628)	(62,987)	(133,615)
After-tax return	\$ 963,869	\$ 369,034	\$ 594,835	\$ 430,665	\$ 1,025,500
Average debt <sup>(2)</sup>					\$ 2,902,027
Average deficit <sup>(3)</sup>					(695,593)
Rent x 6 <sup>(4)</sup>					1,225,308
Average capital lease obligations <sup>(5)</sup>					74,039
Pre-tax invested capital					\$ 3,505,781
ROIC					29.3%

Edgar Filing: AUTOZONE INC - Form 10-Q

- (1) *The effective tax rate over the trailing four quarters ended February 11, 2012 and February 12, 2011 is 36.0% and 36.3%, respectively.*
- (2) *Average debt is equal to the average of our debt measured as of the previous five quarters.*
- (3) *Average equity is equal to the average of our stockholders' deficit 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 are equal to the average of our capital lease obligations measured as of the previous five quarters.*

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

The following tables calculate the ratio of adjusted debt to EBITDAR for the trailing four quarters ended February 11, 2012 and February 12, 2011.

	A	B	A-B=C	D	C+D
	Fiscal Year	Twenty-Four	Twenty-Eight	Twenty-Four	Trailing Four
	Ended	Weeks	Weeks	Weeks	Quarters
	August 27,	Ended	Ended	Ended	Ended
	2011	February 12,	August 27,	February 11,	February 11,
	2011	2011	2011	2012	2012
<i>(in thousands, except ratio)</i>					
Net income	\$ 848,974	\$ 320,131	\$ 528,843	\$ 358,055	\$ 886,898
Add: Interest expense	170,557	76,829	93,728	78,017	171,745
Income tax expense	475,272	180,908	294,364	205,513	499,877
EBIT	1,494,803	577,868	916,935	641,585	1,558,520
Add: Depreciation expense	196,209	88,417	107,792	96,170	203,962
Rent expense	213,846	96,692	117,154	103,721	220,875
Share-based expense	26,625	12,119	14,506	15,045	29,551
EBITDAR	\$ 1,931,483	\$ 775,096	\$ 1,156,387	\$ 856,521	\$ 2,012,908
Debt					\$ 3,464,360
Capital lease obligations					103,774
Add: Rent x 6 <sup>(1)</sup>					1,325,250
Adjusted debt					\$ 4,893,384
Adjusted debt / EBITDAR					2.4

	A	B	A-B=C	D	C+D
	Fiscal Year	Twenty-Four	Twenty-Eight	Twenty-Four	Trailing Four
	Ended	Weeks	Weeks	Weeks	Quarters
	August 28,	Ended	Ended	Ended	Ended
	2010	February 13,	August 28,	February 12,	February 12,
	2010	2010	2010	2011	2011
<i>(in thousands, except ratio)</i>					
Net income	\$ 738,311	\$ 266,633	\$ 471,678	\$ 320,131	\$ 791,809
Add: Interest expense	158,909	72,650	86,259	76,829	163,088
Income tax expense	422,194	151,527	270,667	180,908	451,575
EBIT	1,319,414	490,810	828,604	577,868	1,406,472
Add: Depreciation expense	192,084	87,099	104,985	88,417	193,402
Rent expense	195,632	88,106	107,526	96,692	204,218
Share-based expense	19,120	8,867	10,253	12,119	22,372
EBITDAR	\$ 1,726,250	\$ 674,882	\$ 1,051,368	\$ 775,096	\$ 1,826,464
Debt					\$ 3,249,230
Capital lease obligations					81,848
Add: Rent x 6 <sup>(1)</sup>					1,225,308



Adjusted debt	\$ 4,556,386
Adjusted debt / EDITDAR	2.5

(1) Rent is multiplied by a factor of six to capitalize operating leases in the determination of adjusted debt.

#### **Recent Accounting Pronouncements**

In December 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income*, which amends Accounting Standards Codification ( ASC ) Topic 220, *Comprehensive Income*. The purpose of ASU 2011-12 is to defer the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income in ASU 2011-05, *Presentation of Comprehensive Income*, until the FASB is able to reconsider operational concerns related to ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. We do not expect the provisions of ASU 2011-05 or ASU 2011-12 to have a material impact to our consolidated financial statements. The Company does not expect the provisions of ASU 2011-05 or ASU 2011-12 to have a material impact on the consolidated financial statements. Both ASU 2011-05 and ASU 2011-12 will be effective for our fiscal year ending August 31, 2013, including interim periods within that year.

---

**Table of Contents****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 Annual Report on Form 10-K for the year ended August 27, 2011. Our critical accounting policies have not changed since the filing of our Annual Report on Form 10-K for the year ended August 27, 2011.

**Forward-Looking Statements**

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements typically use words such as believe, anticipate, should, intend, plan, will, expect, estimate, project, positioned, strategy and similar expressions 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 27, 2011, 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 February 11, 2012, there have been no material changes to our instruments and positions that are sensitive to market risk since the disclosures in our Annual Report on Form 10-K for the year ended August 27, 2011, except as described below.

The fair value of our debt was estimated at \$3.730 billion as of February 11, 2012, and \$3.633 billion as of August 27, 2011, 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 \$265.6 million at February 11, 2012 and \$281.0 million at August 27, 2011. We had \$714.4 million of variable rate debt outstanding at February 11, 2012, and \$601.7 million of variable rate debt outstanding at August 27, 2011. 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 \$7.1 million in fiscal 2012. The primary interest rate exposure on variable rate debt is based on LIBOR. We had outstanding fixed rate debt of \$2.750 billion at February 11, 2012, and \$2.750 billion at August 27, 2011. A one percentage point increase in interest rates would reduce the fair value of our fixed rate debt by \$102.0 million at February 11, 2012.

**Item 4. Controls and Procedures.**

As of February 11, 2012, 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 February 11, 2012. During or subsequent to the quarter ended February 11, 2012, 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.

**Table of Contents****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 II, Item 1, of our Quarterly Report on Form 10-Q for the quarterly period ended November 19, 2011.

**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 27, 2011.

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

Shares of common stock repurchased by the Company during the quarter ended February 11, 2012, were as follows:

**Issuer Repurchases of Equity Securities**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs</b>
November 20, 2011 to December 17, 2011		\$		\$ 658,861,646
December 18, 2011 to January 14, 2012	94,700	337.24	94,700	626,924,622
January 15, 2012 to February 11, 2012	405,957	346.26	405,957	486,356,822
<b>Total</b>	<b>500,657</b>	<b>\$ 344.56</b>	<b>500,657</b>	<b>\$ 486,356,822</b>

During 1998, the Company announced a program permitting the Company to repurchase a portion of its outstanding shares not to exceed a dollar maximum established by the Company's Board of Directors. The program was most recently amended on March 7, 2012, to increase the repurchase authorization to \$11.9 billion from \$11.15 billion and does not have an expiration date. All of the above repurchases were part of this program. Subsequent to February 11, 2012, the Company has repurchased 26,240 shares of its common stock at an aggregate cost of \$10.0 million.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Removed and Reserved.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

**Table of Contents**

**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 Quarterly Report on Form 10-Q for the quarter ended February 13, 1999.
3.2	Fifth Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated September 28, 2011.
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.
**101.INS	XBRL Instance Document
**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
**101.DEF	XBRL Taxonomy Extension Definition Document

\* Management contract or compensatory plan or arrangement.

\*\* 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.

**Table of Contents**

**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: March 8, 2012

**Table of Contents**

**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 Quarterly Report on Form 10-Q for the quarter ended February 13, 1999.
3.2	Fifth Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated September 28, 2011.
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.
**101.INS	XBRL Instance Document
**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
**101.DEF	XBRL Taxonomy Extension Definition Document

\* Management contract or compensatory plan or arrangement.

\*\* 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.