

AUTOZONE INC
Form 10-Q
December 13, 2012
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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 November 17, 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)

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Nevada
(State or other jurisdiction of
incorporation or organization)

62-1482048
(I.R.S. Employer
Identification No.)

123 South Front Street,
Memphis, Tennessee
(Address of principal executive offices)

38103
(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 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 Accelerated filer
Non-accelerated filer Smaller reporting company

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 36,331,497 shares outstanding as of December 10, 2012.

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(Unaudited)

<i>(in thousands)</i>	November 17, 2012	August 25, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 99,864	\$ 103,093
Accounts receivable	173,338	161,375
Merchandise inventories	2,702,103	2,627,983
Other current assets	86,003	85,649
Deferred income taxes	983	846
Total current assets	3,062,291	2,978,946
Property and equipment:		
Property and equipment	4,735,703	4,659,761
Less: Accumulated depreciation and amortization	(1,845,434)	(1,803,833)
	2,890,269	2,855,928
Goodwill	302,645	302,645
Deferred income taxes	36,547	33,796
Other long-term assets	106,287	94,324
	445,479	430,765
	\$ 6,398,039	\$ 6,265,639
Liabilities and Stockholders Deficit		
Current liabilities:		
Accounts payable	\$ 3,021,916	\$ 2,926,740
Accrued expenses and other	455,762	478,085
Income taxes payable	80,532	17,053
Deferred income taxes	186,282	183,833
Short-term borrowings		49,881
Total current liabilities	3,744,492	3,655,592
Long-term debt	3,802,705	3,718,302
Other long-term liabilities	442,211	439,770
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; 40,168 shares issued and 36,473 shares outstanding as of November 17, 2012; 39,869 shares issued and 37,028 shares outstanding as of August 25, 2012		
	402	399
Additional paid-in capital	760,872	689,890

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Retained deficit	(829,745)	(1,033,197)
Accumulated other comprehensive loss	(152,462)	(152,013)
Treasury stock, at cost	(1,370,436)	(1,053,104)
Total stockholders' deficit	(1,591,369)	(1,548,025)
	\$ 6,398,039	\$ 6,265,639

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	
	November 17, 2012	November 19, 2011
Net sales	\$ 1,991,040	\$ 1,924,341
Cost of sales, including warehouse and delivery expenses	959,174	940,714
Gross profit	1,031,866	983,627
Operating, selling, general and administrative expenses	668,590	642,693
Operating profit	363,276	340,934
Interest expense, net	41,104	39,094
Income before income taxes	322,172	301,840
Income taxes	118,720	110,715
Net income	\$ 203,452	\$ 191,125
Weighted average shares for basic earnings per share	36,845	39,865
Effect of dilutive stock equivalents	741	999
Adjusted weighted average shares for diluted earnings per share	37,586	40,864
Basic earnings per share	\$ 5.52	\$ 4.79
Diluted earnings per share	\$ 5.41	\$ 4.68

See Notes to Condensed Consolidated Financial Statements.**AUTOZONE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

<i>(in thousands)</i>	Twelve Weeks Ended	
	November 17, 2012	November 19, 2011
Net income	\$ 203,452	\$ 191,125
Other comprehensive loss:		
Pension liability adjustments, net of taxes ⁽¹⁾	1,435	10,419
Foreign currency translation adjustments	(2,059)	(23,987)
Unrealized gain (loss) on marketable securities, net of taxes ⁽²⁾	10	(261)
Net derivative activities, net of taxes ⁽³⁾	165	2,877

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Total other comprehensive loss	(449)	(10,952)
Comprehensive income	\$ 203,003	\$ 180,173

- (1) Pension liability adjustments are presented net of taxes of \$1,898 in fiscal 2013 and \$8,159 in fiscal 2012
(2) Unrealized gain (losses) on marketable securities are presented net of taxes of \$5 in fiscal 2013 and \$141 in fiscal 2012
(3) Net derivative activities are presented net of taxes of \$103 in fiscal 2013 and \$2,470 in fiscal 2012

See Notes to Condensed Consolidated Financial Statements.

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

(Unaudited)

<i>(in thousands)</i>	Twelve Weeks Ended	
	November 17, 2012	November 19, 2011
Cash flows from operating activities:		
Net income	\$ 203,452	\$ 191,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	50,700	48,647
Amortization of debt origination fees	1,941	1,738
Income tax benefit from exercise of stock options	(23,910)	(11,157)
Deferred income taxes	(2,455)	6,241
Share-based compensation expense	8,131	7,562
Changes in operating assets and liabilities:		
Accounts receivable	(12,362)	4,856
Merchandise inventories	(74,808)	(75,122)
Accounts payable and accrued expenses	72,594	87,317
Income taxes payable	86,914	70,891
Other, net	8,056	10,196
Net cash provided by operating activities	318,253	342,294
Cash flows from investing activities:		
Capital expenditures	(80,430)	(61,924)
Purchase of marketable securities	(11,802)	(11,091)
Proceeds from sale of marketable securities	6,179	10,069
Disposal of capital assets and other, net	462	1,057
Net cash used in investing activities	(85,591)	(61,889)
Cash flows from financing activities:		
Net proceeds from commercial paper	39,300	1,300
Net (payments) proceeds from short-term borrowings	(4,852)	4,496
Proceeds from issuance of debt	300,000	
Repayment of debt	(300,000)	
Net proceeds from sale of common stock	39,226	18,561
Purchase of treasury stock	(317,332)	(309,765)
Income tax benefit from exercise of stock options	23,910	11,157
Payments of capital lease obligations	(7,474)	(6,448)
Other, net	(8,637)	
Net cash used in financing activities	(235,859)	(280,699)
Effect of exchange rate changes on cash	(32)	(636)
Net decrease in cash and cash equivalents		