Advance Auto Parts

Slots-A-Fun

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History

- 1932- Advanced Stores Company was incorporated
- 1941- Restructured as a retailer for the "automotive after-market"
- 1974- Name was changed to Advanced Auto
- 1987- 100th store opened
- 1994- 5,000 employees
- 1995- Acquired Nationwise Auto Parts Stores
- 1998- Doubles size with acquisition of Western Auto Supply Co.
- 2001- Acquired Discount Auto Parts / I.P.O.
- 2003- Listed on Fortune 500
- 2006- 3000th store
- 2009- e-Commerce website launched
- 2012- Acquired B.W.P. Distributed, Inc.

Two Components

Advance Auto Parts (AAP)

Operate under the trade names “Advance Auto Parts” and “Advance Discount Auto Parts”

Autopart International (AI)

Operations of Autopart International, Inc., which operate under the “Autopart International” trade name

AI

- Provides an international opportunity

- AI consists of less than 5% of revenue
- Fewer than 6% of stores

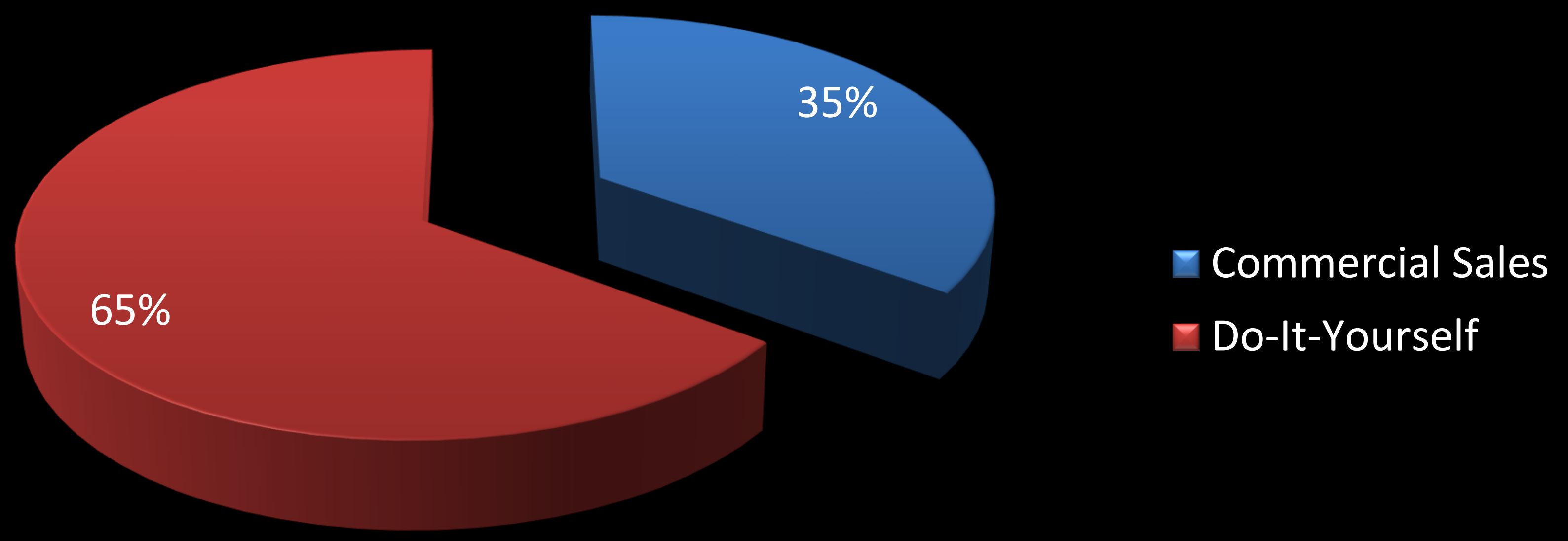
Products

- Advance Auto Parts inventory can be broken up into 5 sections:
  - Parts
    - Alternators, Belts, Batteries, etc.
  - Accessories
    - Floor Mats, MP3 Accessories, Mirrors, etc.
  - Chemicals
    - Antifreeze, Freon, Windshield Wiper Fluid, etc.
  - Oil
    - Transmission Fluid and other petroleum products
  - Other Miscellaneous Products

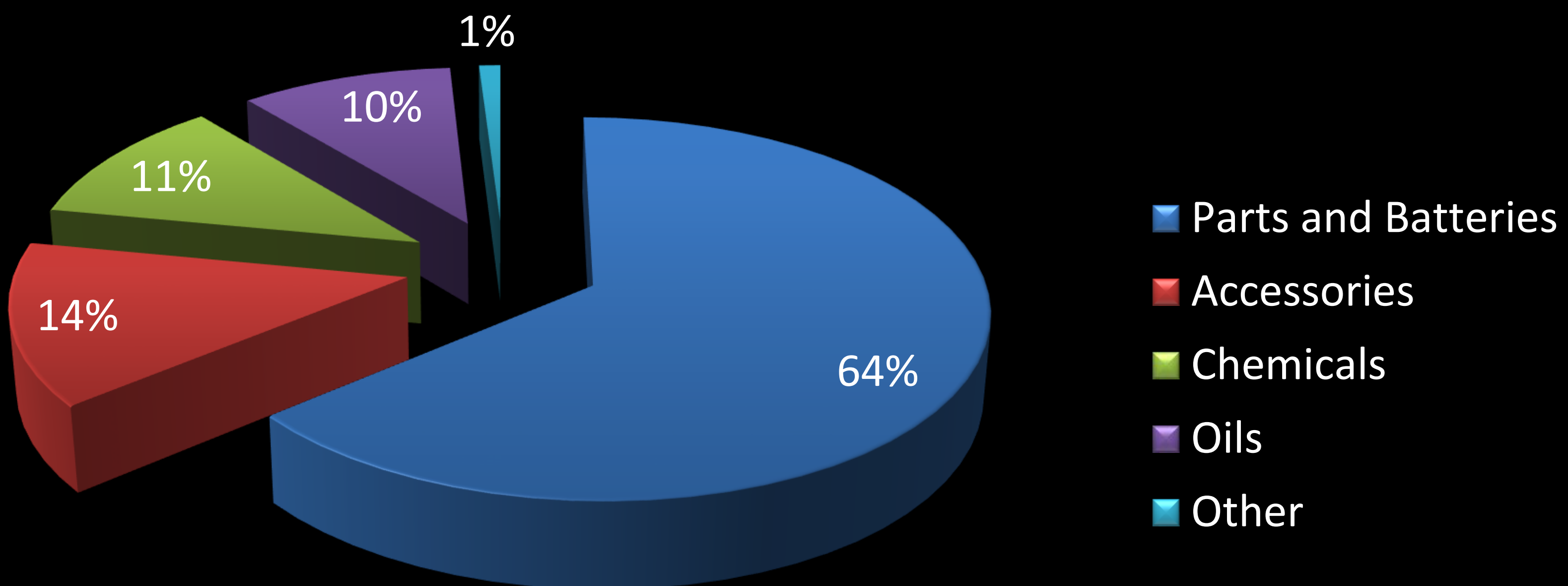
Making Service the Best Part:

- Also provide free of charge services such as:
  - Battery and wiper instillation
  - “How-To” video clinics
  - Oil and battery recycling
  - Loaner tool program

Sales



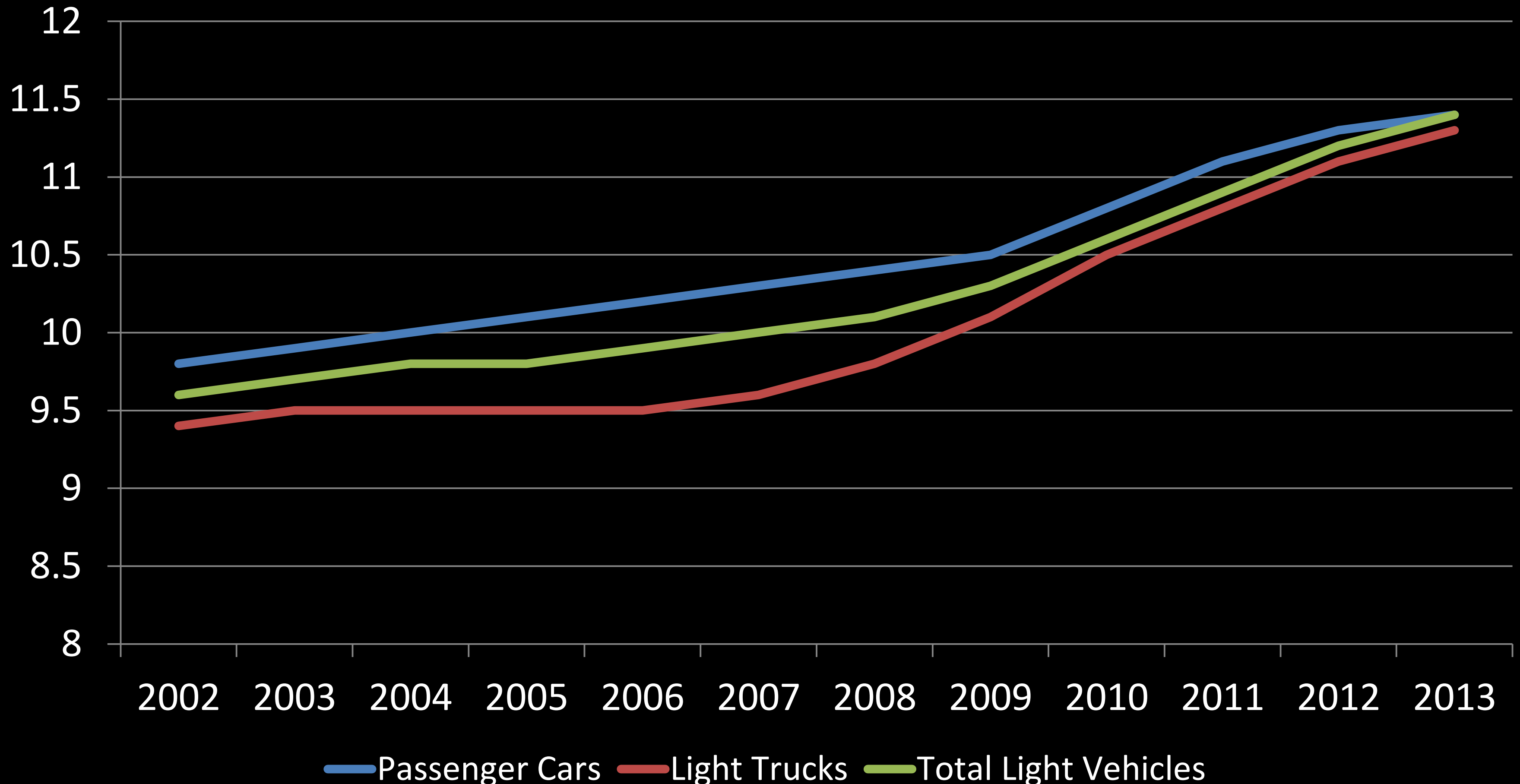
Sales by Product Group



Risk Factors

- The number and average age of vehicles being driven
- The weather
- The average duration of manufacturer warranties and the decrease in the number of annual miles driven
- Our reputations and our brands
- Technological advances and the increase in quality of vehicles manufactured

Average Age of Vehicles on Road



Regions of Operation

- 3,576 AAP stores in 42 US states, Puerto Rico, and the Virgin Islands as of 29 December 2012
- Stores opened and operated in both large, densely populated areas and small, less densely populated areas

Expansion

- Key factors in selecting new site/market locations:
  - Population
  - Demographics
  - Vehicle Profile
  - Number and Strength of Competitors Stores
  - Cost of Real Estate

Expansion, Cont.

- New stores tend to be added within existing markets where a larger presence can be achieved, remodeling can be done, and it is easy to relocate existing stores and enter new markets (Historical Store Development Program)

Recent Major Acquisition

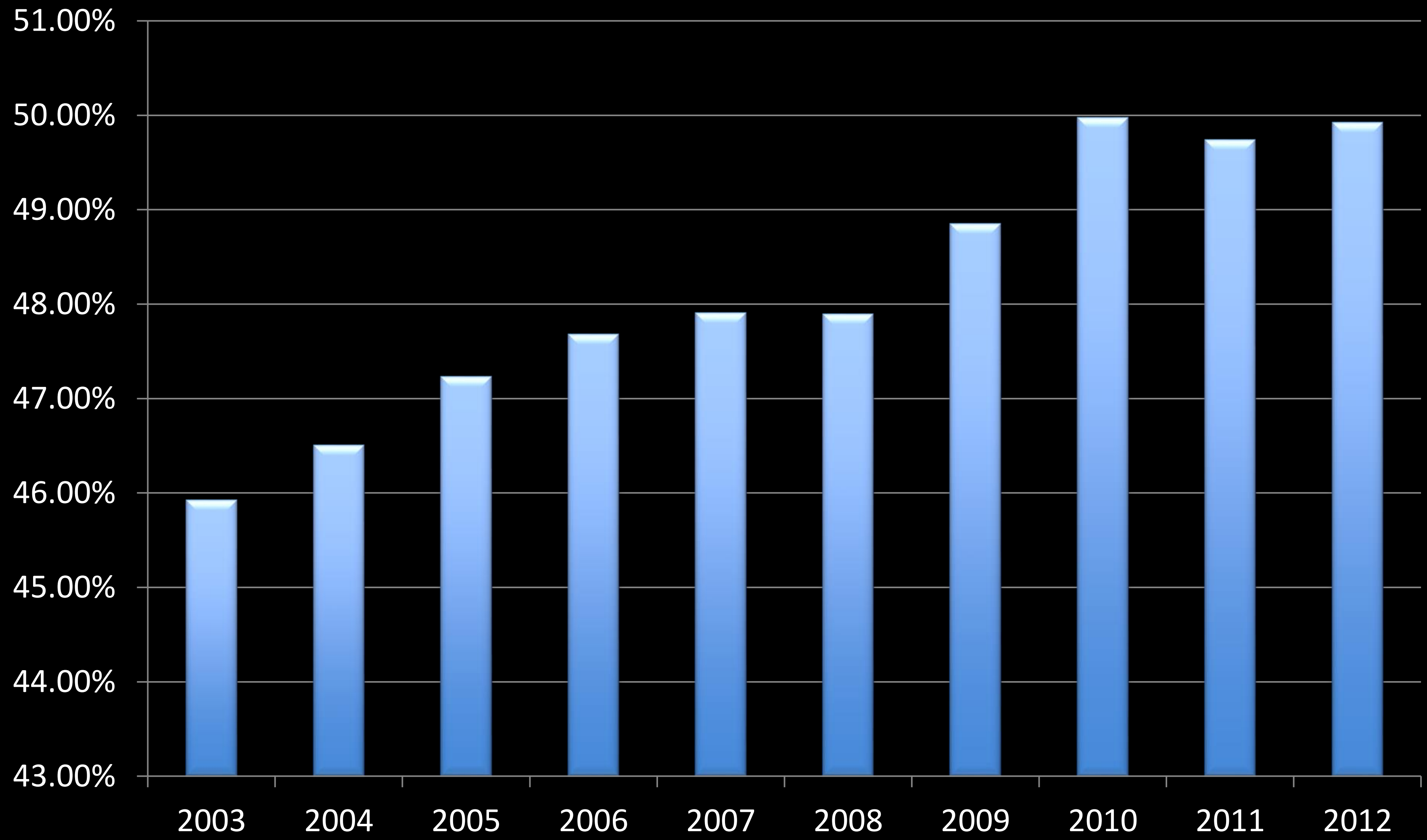
- 31 December 2012 acquired B.W.P. Distributed, Inc.
  - Possibly increase EPS $.15-$.20 a share

Financial Ratios

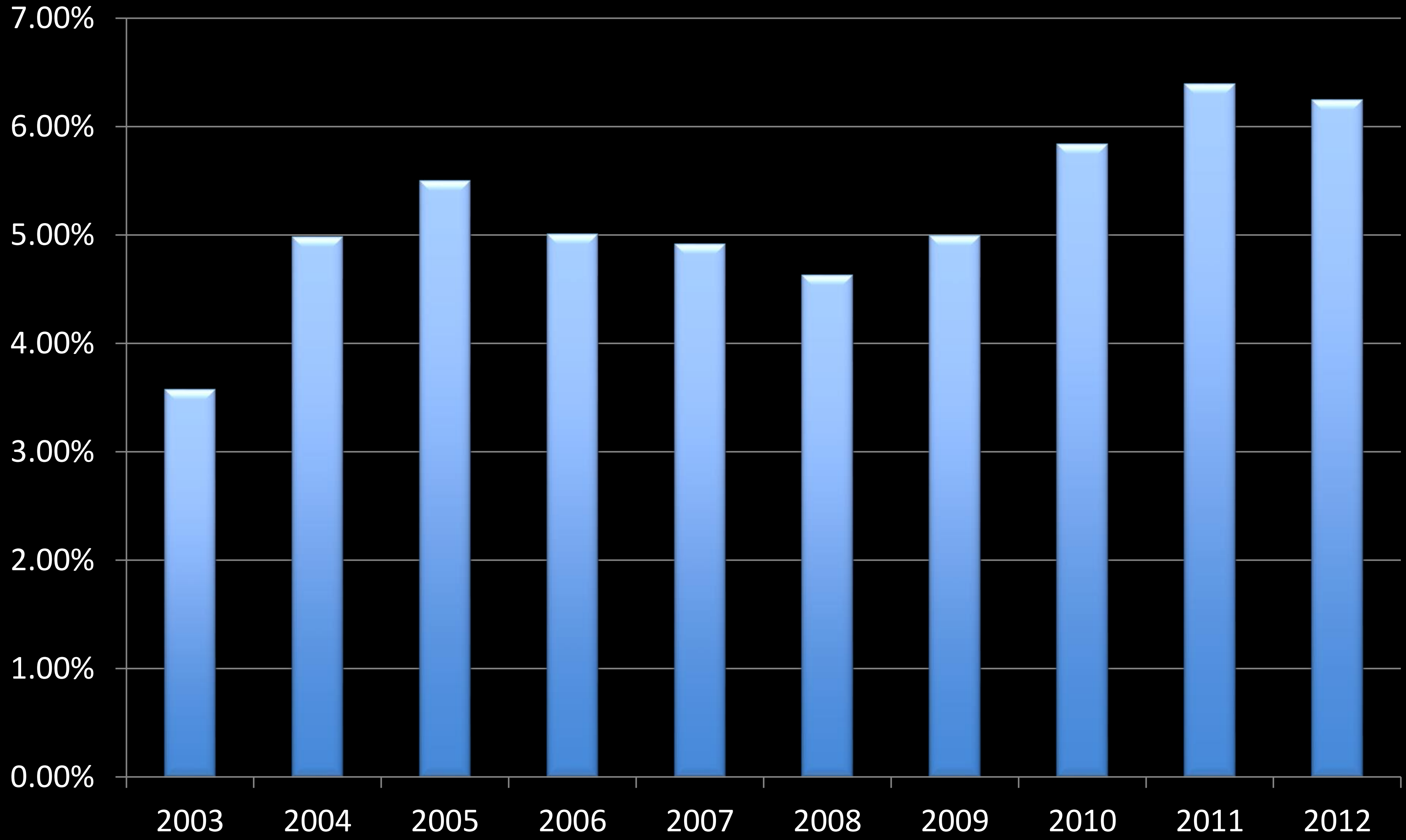
Buffettology Summary

Metric	AAP	Buffet's Standard	Satisfied?
Gross Profit Margin	50%	< 20%	Yes
Net Profit Margin	6.19%	> 10%	**No**
SG&A Expenditures/ Gross Profit	79.16%	≤ 80%	Yes
Depreciation/ Gross Profit	6.39%	≤ 10%	Yes
Interest/ Operating Income	5.24%	≤ 15%	Yes
Current Ratio	1.24	≥ 1	Yes

Gross Profit Margin



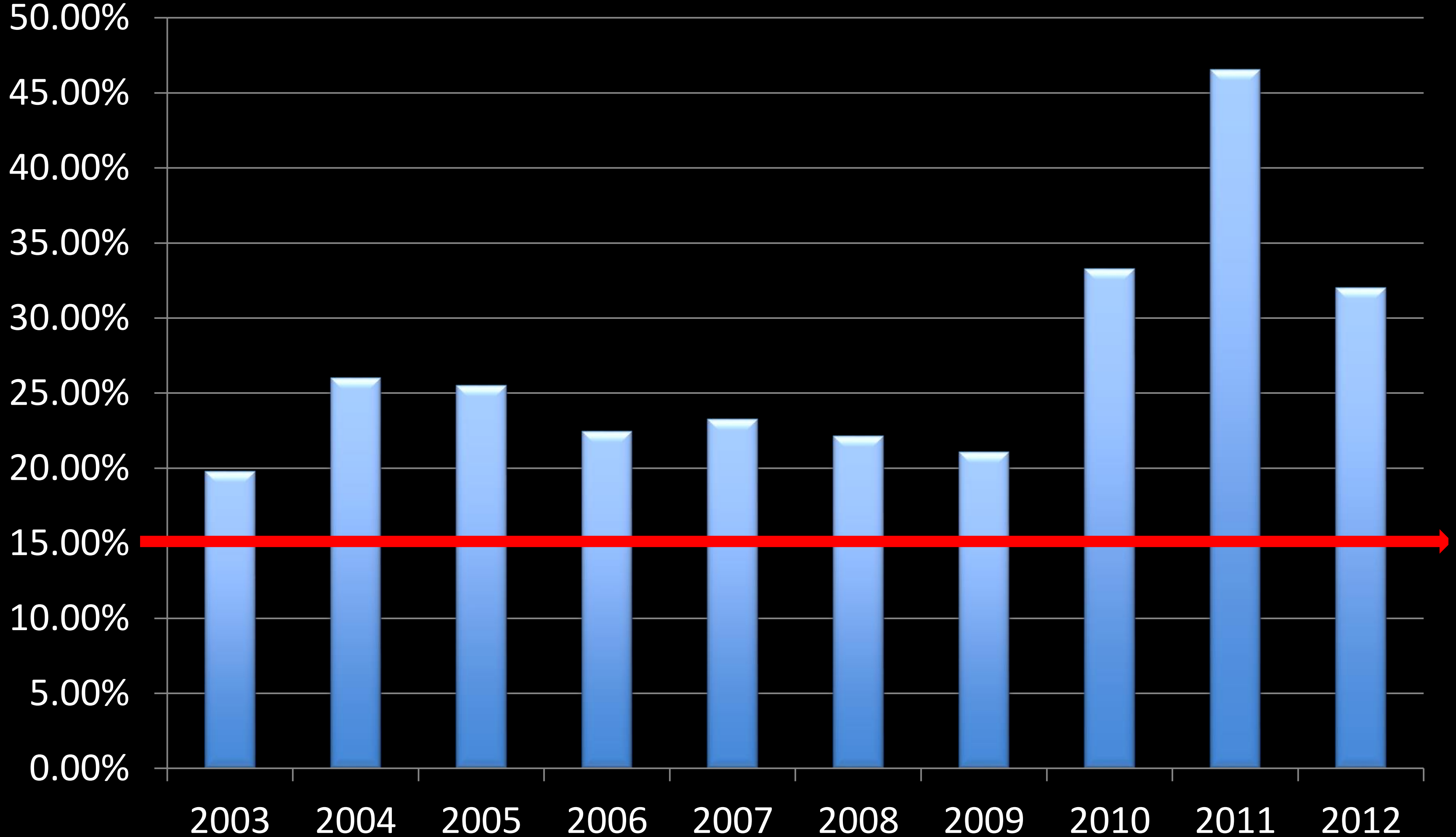
Net Profit Margin



Buffettology Summary

Metric	AAP	Buffet's Standard	Satisfied?
Long Term Debt/ Net Earnings	7.39 (with Leases) 1.54 (No Leases)	< 5 years	**No***
Return on Equity	28.71%	≥ 15%	**Yes**
Return on Capital	19.92%	≥ 15%	**Yes**
Dividend Payout Ratio	4.48%	≤ 60%	**Yes**
Adj. Debt/ Shareholders' Equity	2.37	< .80	**No**

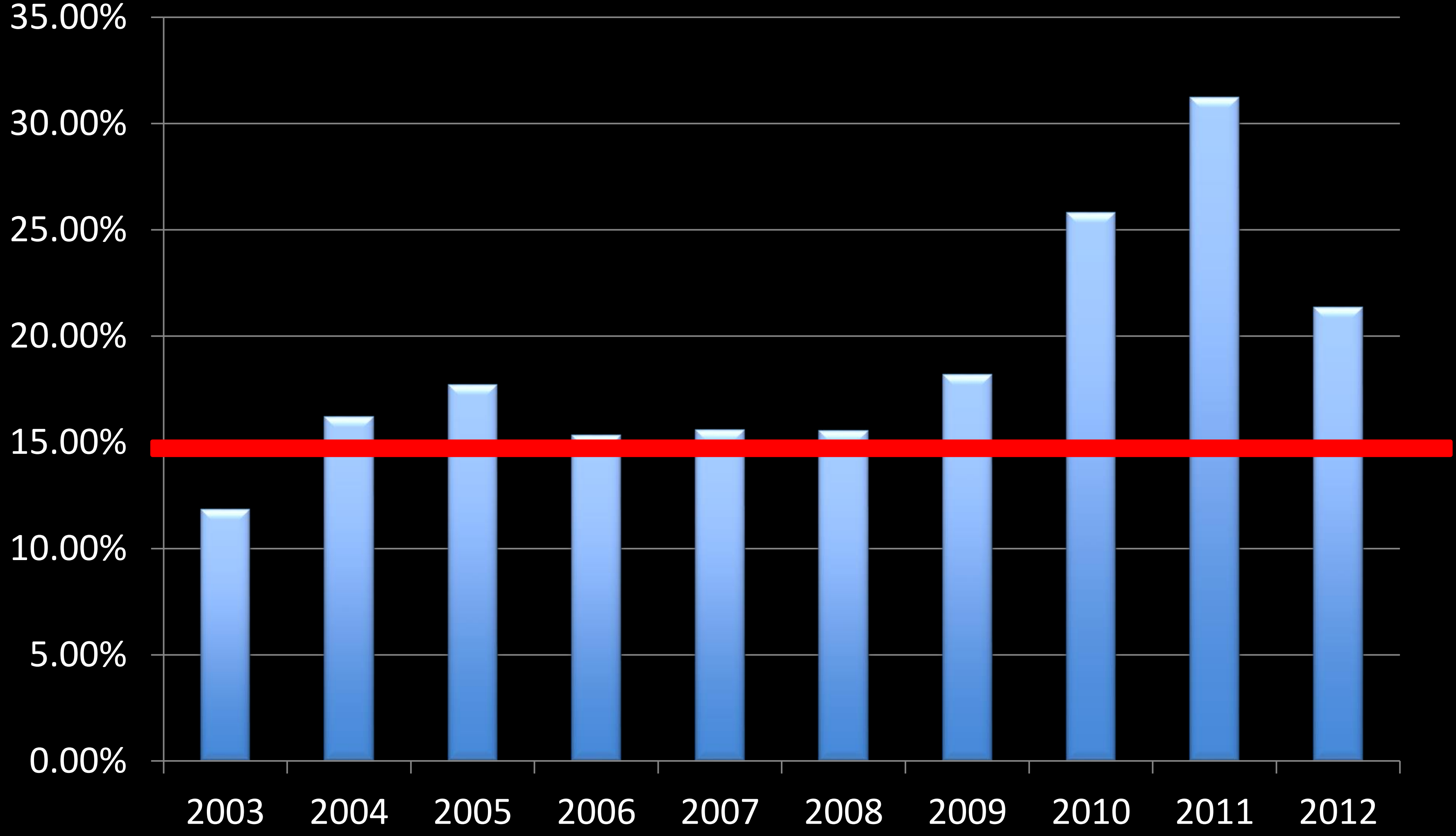
Return on Equity



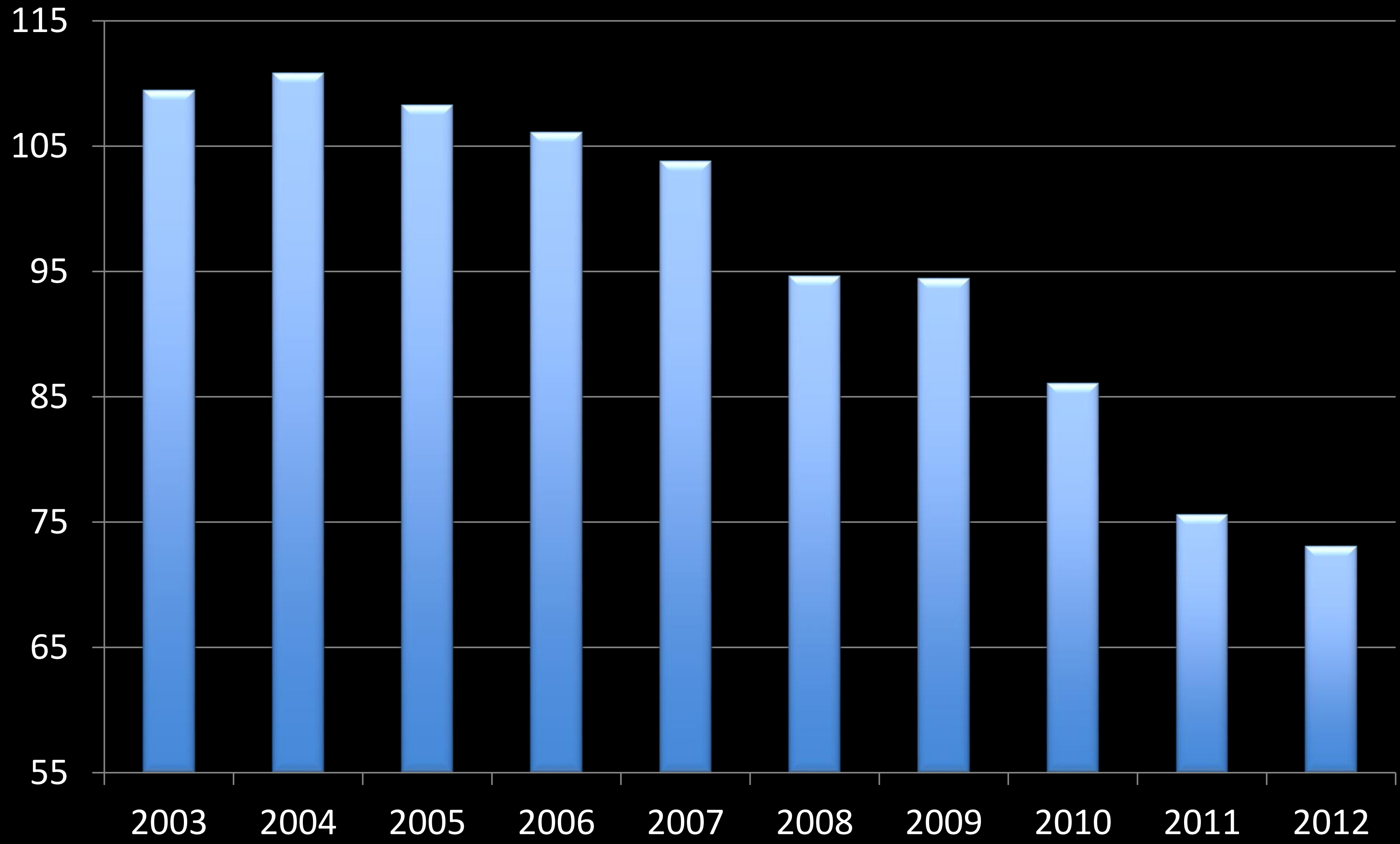
DuPont Analysis

Metric	AAP
Net Profit Margin	7.50%
Total Asset Turnover	1.31
Financial Leverage Multiplier	3.54
Return on Equity	30.80%

Return on Capital



Shares Outstanding (in Millions)



Value Line	
Financial Strength:	A
Price Stability:	75
Earnings Predictability:	95

Van Den Berg Metrics

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Latest Q.
Price/Earnings	25.04	17.5	20.43	16.39	16.66	13.46	14.3	16.76	13.61	13.86	15.23
Price/Tangible Book	4.85	4.43	5.52	3.87	3.96	3.11	3.11	5.63	6.84	4.79	5.46
Price/Free Cashflow	11.9	38.89	43.03	51.54	20.1	10.82	7.55	12.48	9.4	12.76	17.05
Price/Sales	0.87	0.86	1.1	0.82	0.81	0.62	0.71	0.96	0.85	0.85	0.93
Enterprise Value/Revenue	1.01	0.96	1.21	0.92	0.93	0.72	0.72	0.97	0.88	0.85	0.95
Enterprise Value/EBITDA	8.96	8.35	9.74	7.82	7.96	6.63	6.45	7.68	6.45	6.26	6.94
Enterprise Value/EBIT	12.25	11.05	12.62	10.53	10.77	8.98	8.59	9.83	8.15	8.07	9.06
Shiller Price/Earnings	0	0	0	26.19	21.35	16.25	16.95	24.06	21.27	19.06	19.51

Van Den Berg Metrics

	Latest Q.	Min	Median	Max
Price/Earnings	**15.23**	**13.46**	16.53	**25.04**
Price/Tangible Book	**5.46**	**3.11**	4.61	**6.84**
Price/Free Cashflow	17.05	**7.55**	12.62	**51.54**
Price/Sales	0.93	**0.62**	0.85	**1.1**
Enterprise Value/Revenue	0.95	**0.72**	0.93	**1.21**
Enterprise Value/EBITDA	**6.94**	**6.26**	7.75	**9.74**
Enterprise Value/EBIT	**9.06**	**8.07**	10.18	**12.62**
Shiller Price/Earnings	19.51	**0**	18.01	**26.19**

Investment Checklist

Increasing trends?	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Stable at $.24 a year
Number of Stores	Increasing
Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Increasing*
Shareholder's Equity	Increasing
Return on Total Capital	Increasing

Conscious Investor Report

10 Year CI

AAP Advance Auto Parts Inc ☑ Symbol | Details | Print | Save Image | Save | Load | Default | Safety

Industry: Auto Parts Stores

Market: USA

Earnings Per Share (EPS)

12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	EPSttm	Years		HGROWTH	STAEGR™
1.110	1.660	2.130	2.160	2.280	2.500	2.830	3.950	5.110	5.220	5.330	10	Calc	17%	88.45%

Sales Per Share

													HGROWTH	STAEGR™
31.540	34.809	39.418	43.820	48.904	54.213	57.813	72.297	84.760	84.556	Chart	10	Calc	12.21%	97.08%

Net Profit Margin (NPM)

										Current NPM	
3.58	4.99	5.50	5.01	4.92	4.63	5.00	5.84	6.40	6.25	6.25	Chart

Return on Equity (ROE)

										Current ROE	
19.80	26.00	25.50	22.40	23.30	22.10	21.10	33.30	46.50	32.00	32.00	Chart

Price Earnings Ratio (PE Ratio)

										Current		Current PE	
25.10	18.50	22.40	21.10	19.10	18.20	16.80	17.60	14.20	17.80	16.65	High	15.32	Chart
11.10	13.30	13.20	12.80	12.90	9.60	10.40	9.70	9.70	11.70	12.08	Low		

Price

										Current		Current Price	
27.88	30.78	47.73	45.50	43.62	45.52	47.41	69.51	72.32	93.08	88.74	High	81.68	Chart
12.33	22.01	28.13	27.65	29.51	24.03	29.50	38.38	49.50	60.87	64.36	Low		

Payout Ratio (PR)

										Current PR	
0	0	0	8	11	10	8	6	5	5	5%	Chart

STRETD®

current year 26 Sep 2013

Dividend Reinvestment Strategy
- ◉ Buy additional shares
- ○ Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price	81.68
EPSttm	5.330
PE Ratio	14.63
HGrowth	17 %
Payout	6 %

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate 16.4% per year | Sync with TARG

TARGD®

current year

Dividend Reinvestment Strategy
- ◉ Buy additional shares
- ○ Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Req Return	10.0 %
EPSttm	5.330
PE Ratio	14.63
HGrowth	17 %
Payout	6 %

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate $126.02 | Sync with STRET

10 Year CI


STRETD®
current year
26 Sep 2013
Dividend Reinvestment Strategy
Buy additional shares
Invest at the rate below
Note: PE and PR Ratios are ave of 4 yrs
Price
81.68
EPSttm
5.330
PE Ratio
14.63
HGrowth
17
%
Payout
6
%
Investment Period
5
years
Tax - dividends
0
%
Tax - capital gains
0
%
Calculate
16.4%
per year
Sync with TARG

6 Year CI

AAP Advance Auto Parts Inc ☑ Symbol | Details | Print | Save Image | Save | Load | Default | Safety

Industry: Auto Parts Stores | Market: USA

Earnings Per Share (EPS)

12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	EPSttm	Years		HGROWTH	STAEGR™
1.110	1.660	2.130	2.160	2.280	2.500	2.830	3.950	5.110	5.220	5.330	6	Calc	20.59%	94.1%

Sales Per Share

													HGROWTH	STAEGR™
31.540	34.809	39.418	43.820	48.904	54.213	57.813	72.297	84.760	84.556	Chart	6	Calc	12.95%	96.33%

Net Profit Margin (NPM)

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3.58	4.99	5.50	5.01	4.92	4.63	5.00	5.84	6.40	6.25	6.25	Chart

Return on Equity (ROE)

										Current ROE	
19.80	26.00	25.50	22.40	23.30	22.10	21.10	33.30	46.50	32.00	32.00	Chart

Price Earnings Ratio (PE Ratio)

										Current		Current PE	
25.10	18.50	22.40	21.10	19.10	18.20	16.80	17.60	14.20	17.80	16.65	High	15.32	Chart
11.10	13.30	13.20	12.80	12.90	9.60	10.40	9.70	9.70	11.70	12.08	Low		

Price

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12.33	22.01	28.13	27.65	29.51	24.03	29.50	38.38	49.50	60.87	64.36	Low		

Payout Ratio (PR)

										Current PR	
0	0	0	8	11	10	8	6	5	5	5%	Chart

STRETD®

current year 26 Sep 2013

Dividend Reinvestment Strategy
- (•) Buy additional shares
- ( ) Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price	81.68
EPSttm	5.330
PE Ratio	14.63
HGrowth	20.59 %
Payout	6 %

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate 19.97% per year | Sync with TARG

TARGD®

current year

Dividend Reinvestment Strategy
- (•) Buy additional shares
- ( ) Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Req Return	10.0 %
EPSttm	5.330
PE Ratio	14.63
HGrowth	20.59 %
Payout	6 %

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate $126.02 | Sync with STRET

6 Year CI


STRETD®
current year
26 Sep 2013
Dividend Reinvestment Strategy
Buy additional shares
Invest at the rate below
Note: PE and PR Ratios are ave of 4 yrs
Price
81.68
EPSttm
5.330
PE Ratio
14.63
HGrowth
20.59
%
Payout
6
%
Investment Period
5
years
Tax - dividends
0
%
Tax - capital gains
0
%
Calculate
19.97%
per year
Sync with TARG

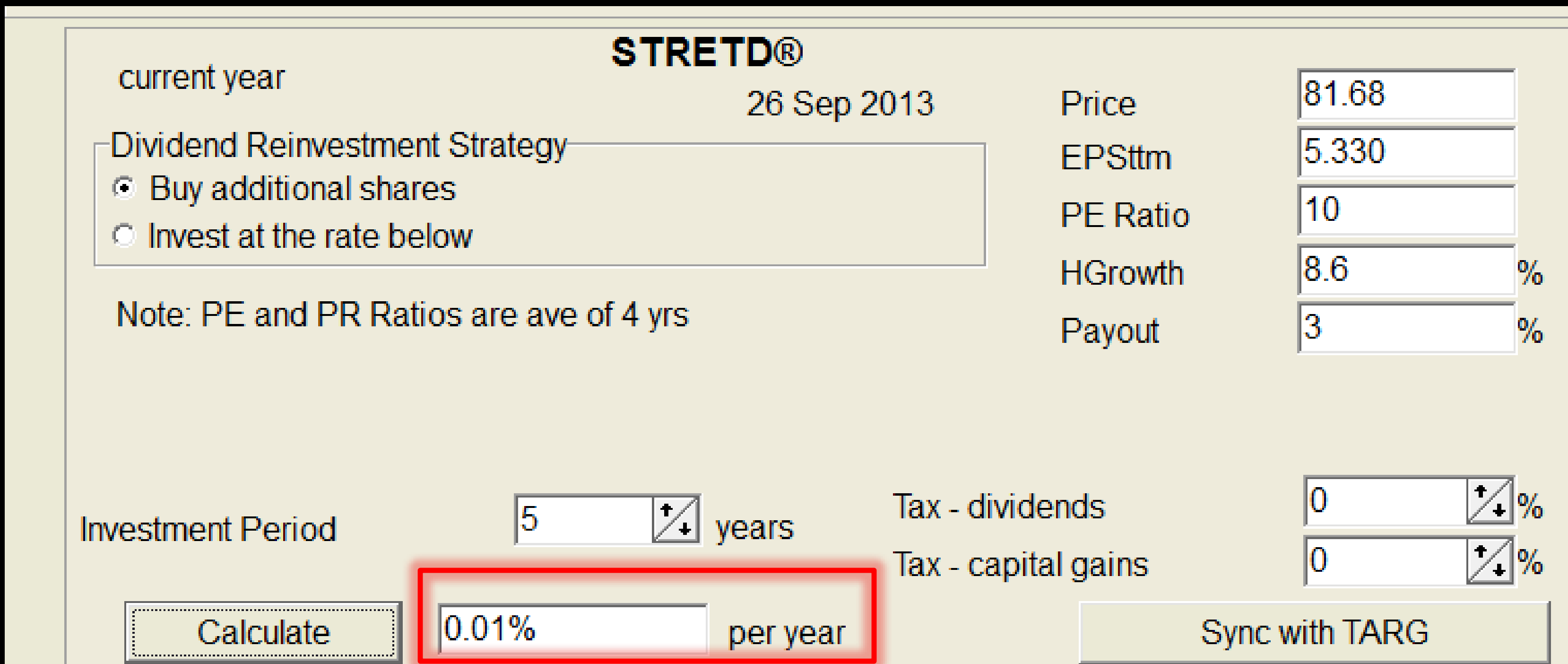
Safety


STRETD®
current year
26 Sep 2013
Dividend Reinvestment Strategy
Buy additional shares
Invest at the rate below
Note: PE and PR Ratios are ave of 4 yrs
Price 81.68
EPSttm 5.330
PE Ratio 12.94
HGrowth 9.85 %
Payout 3 %
Investment Period 5 years
Tax - dividends 0 %
Tax - capital gains 0 %
Calculate
6.44% per year
Sync with TARG

Kill It

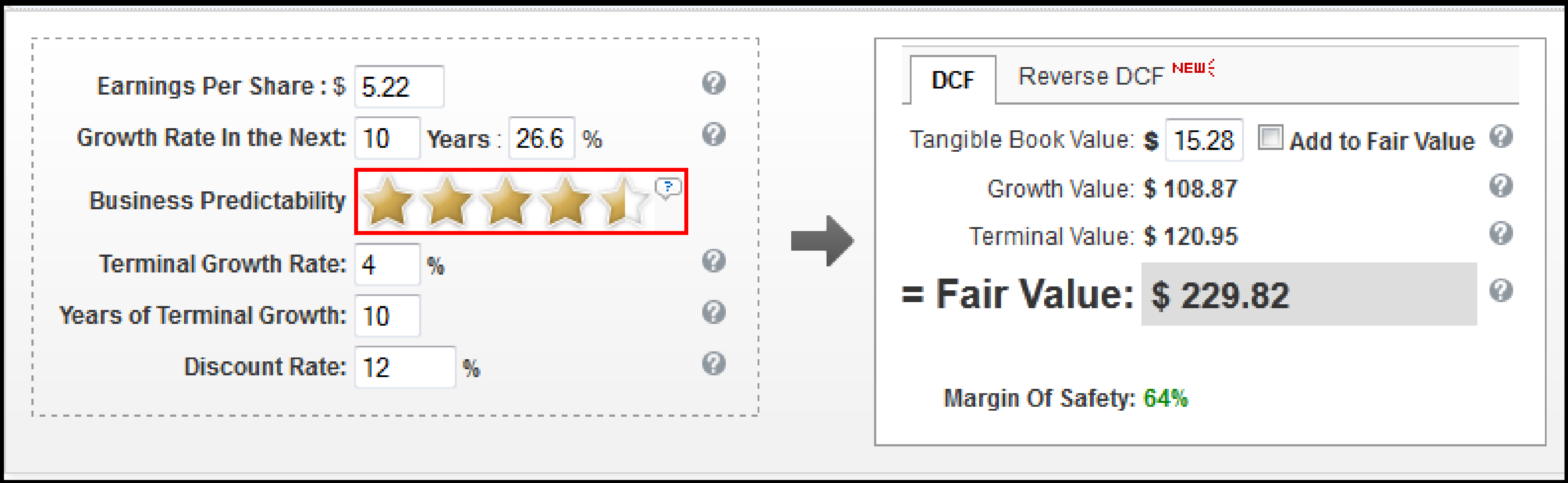

STRETD®
current year
26 Sep 2013
Dividend Reinvestment Strategy
Buy additional shares
Invest at the rate below
Note: PE and PR Ratios are ave of 4 yrs
Price
81.68
EPSttm
5.330
PE Ratio
11
HGrowth
9
%
Payout
3
%
Investment Period
5
years
Tax - dividends
0
%
Tax - capital gains
0
%
Calculate
2.28%
per year
Sync with TARG

Kill it Again



DCF Model

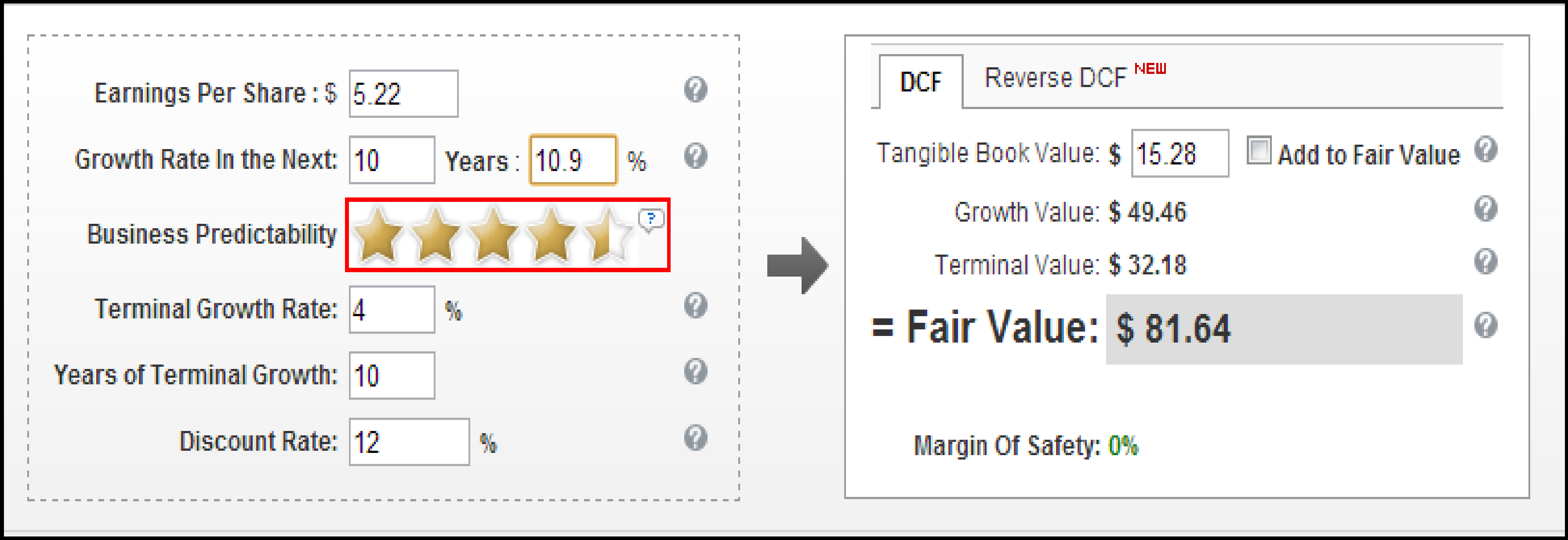
DCF – 10 Year FCF Growth Rate



DCF - 10 year Earning Growth Rate

DCF – 10 Year Revenue Growth Rate

DCF - Breakeven



AAP

1. Simple Business:

   Sell Auto Parts to DIY and Commercial Customers

2. Favorable Long-Term Prospects:

   Growth Potential West; Acquiring firms to increase efficiency

3. Able and Honest Management

   Bought back 33% of shares in last 6 years

AAP

4. Consistent Earnings: How do we measure?
    Solid FCF and EPS Growth

5. Good Return on Equity:
    ROE: 28.71%   ROC: 19.92%

6. Little Debt:
    Payable under 2 years without lease

Recommendation:

7. Very Attractive Price

   Limit order at $81.50