

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

Autopart International (AI)

AI

• Provides an international opportunity

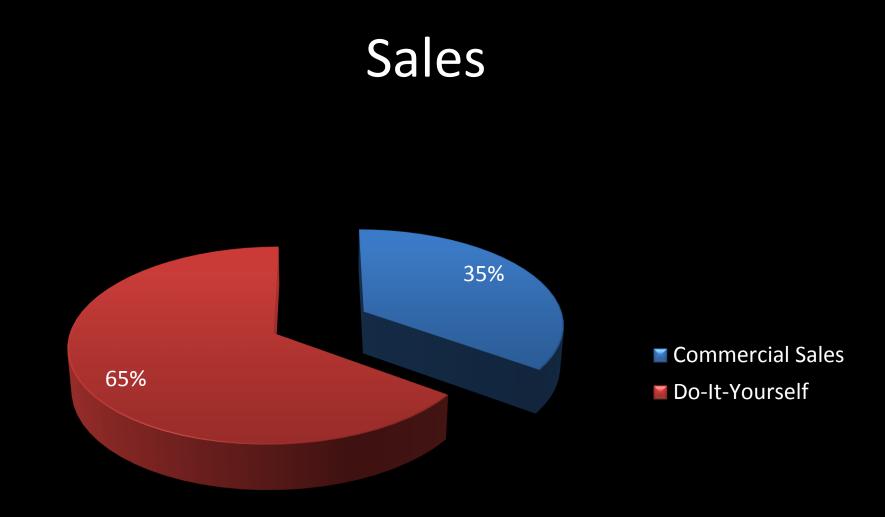
- Al consists of less than 5% of revenue
- Fewer than 6% of stores

Products

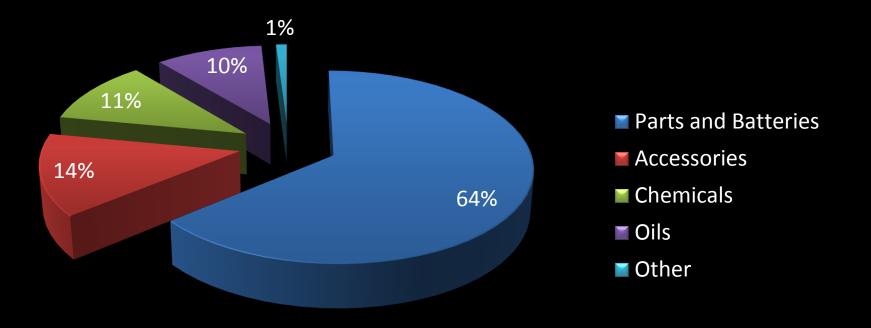
- Advance Auto Parts inventory can be broken up into 5 sections:
 - Parts
 - Alternators, Belts, Batteries, etc.
 - Accessories
 - Floor Mats, MP3 Accessories, Mirrors, etc.
 - Chemicals
 - Antifreeze, Freon, Windshield Wiper Fluid, etc.
 - Oil
 - Transmission Fluid and other petroleum products
 - Other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

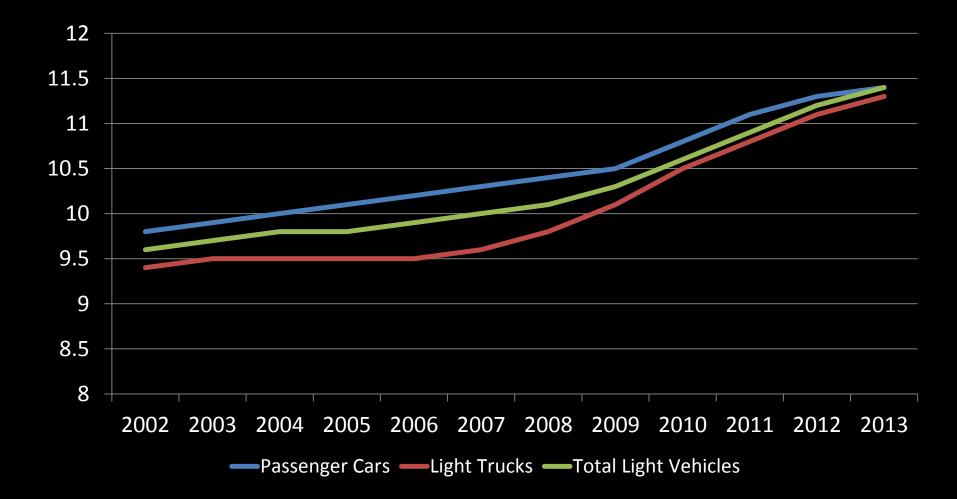


Risk Factors

- 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

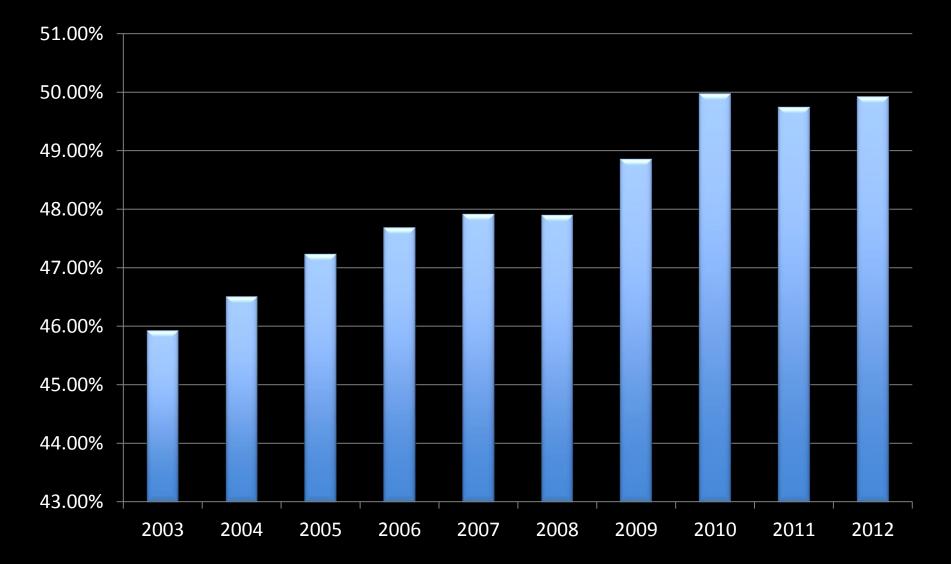
- 31 December 2012 acquired B.W.P.
 Distributed, Inc.
 - Possibly increase EPS \$.15-\$.20 a share

Financial Ratios

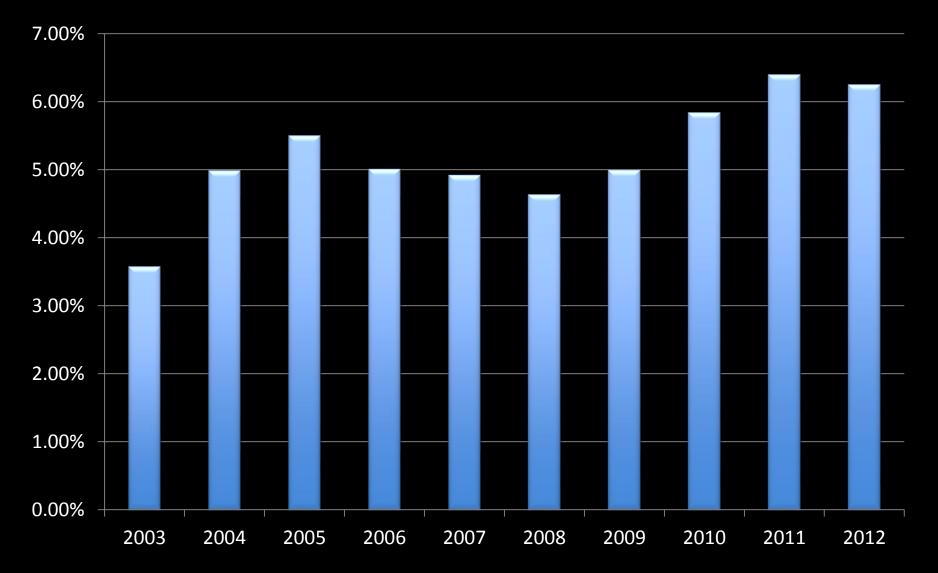
Buffettology Summary

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



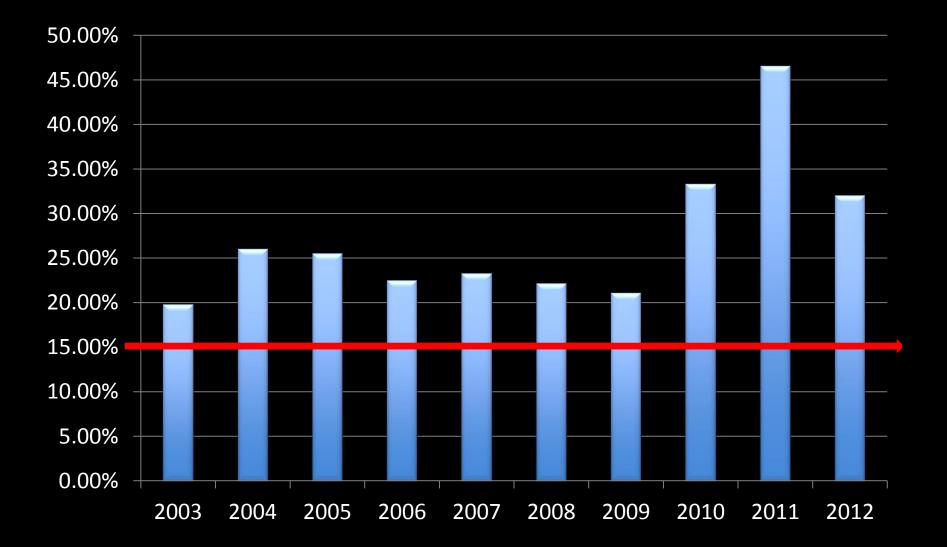
Net Profit Margin



Buffettology Summary

Metric	ААР	Buffet's Standard	Satisfied?
Long Term Debt/	7.39 (with Leases)		
Net Earnings	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

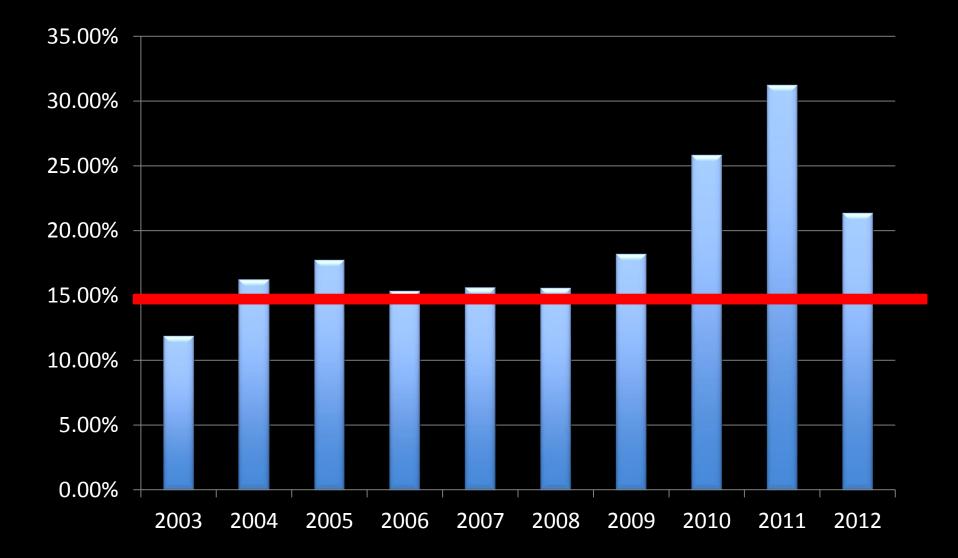
Return on Equity



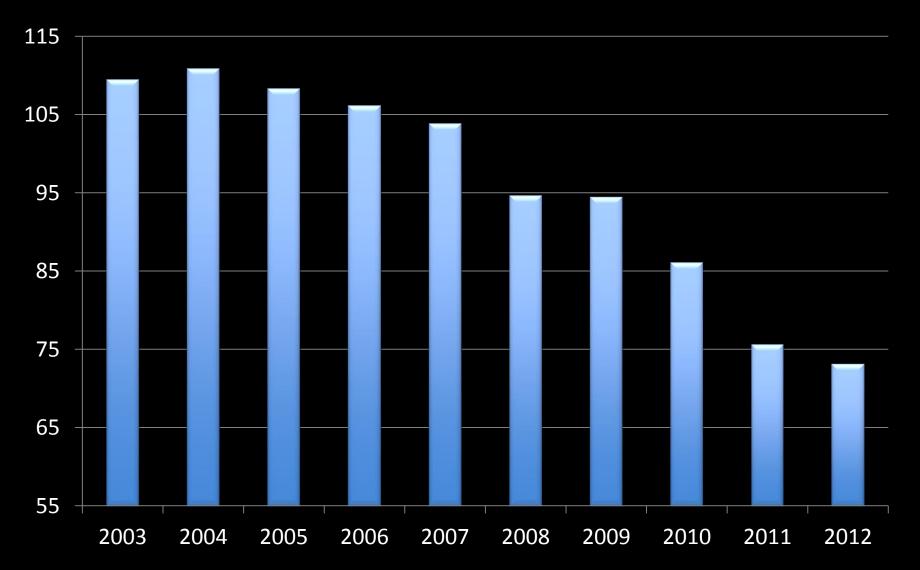
DuPont Analysis

Metric	AAP
Net Profit Margin	7.50%
	1.24
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:	Α							
Price Stability:	75							
Earnings Predictability:	95							

Van Den Berg Metrics

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Latest</u> <u>Q.</u>
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

	<u>Latest Q.</u>	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

AAP	Advance Au	ito Parts Inc				Symbol	ol	🗟 Details	🕒 Print	🕒 Save In	nage	🖺 Save	🕒 🛅 Lo	ad D	efault	Safety
Indus	stry: Auto Pa	arts Stores												Mar	ket: USA	
					Earning	gs Per Share (EPS)									
	2/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	EPSttm	Years	н	GROWTH		AEGR™
1.1	10	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											Н	GROWTH	STA	EGR™		
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 Pr	ofit Margin (NI	PM)					_	Curre	ent NPM		
3.5	8	4.99	5.50	5.01	4.92	4.63	5.00	5.84	6.40	6.25			6.			Chart
					Retur	n on Equity (R	OE)						Curre	ent ROE	_	
19	.80	26.00	25.50	22.40	23.30	22.10	21.10	33.30	46.50	32.00			32	2.00		Chart
	Price Earnings Ratio (PE Ratio)										Currer	nt	Curr	rent PE		
25.	.10	18.50	22.40	21.10	19.10	18.20	16.80	17.60	14.20	17.80	16.65	Hig	a la	6.32		Chart
11.	10	13.30	13.20	12.80	12.90	9.60	10.40	9.70	9.70	11.70	12.08	Lo			_	Glian
Price							•				Curren	t		(D)		
27	88	30.78	47.73	45.50	43.62	45.52	47.41	69.51	72.32	93.08	88.74	Hig	gh Currer 81	nt Price		Chart
12	.33	22.01	28.13	27.65	29.51	24.03	29.50	38.38	49.50	60.87	64.36	Lo		.00	_	Chart
						Payout Rati	o (PR)						Cu	rent PR		
0		0	0	8	11	10	8	6	5	5			59	%		Chart
- 			ST	RETD®	*									r		
	current ye	ear		26 Sep 2	013 Price	81	68		current year				Req Ref		10.0	%
	Dividend I	Reinvestment	Strategy		EPS	tm 5.3	30		Dividend Reinvestn				EPSttm		5.330	
		ditional share			PER	atio 14	63		 Buy additional sh Invest at the rate 				PE Rati	0	14.63	
	 Invest a 	at the rate belo	W		HGro		~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~		· invest at the fate	DEIOW			HGrowth	ח [17	%
	Note: PE	and PR Ratio	os are ave of 4 y	/rs	Payo		~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	1	Note: PE and PR Ra	tios are ave of 4	yrs		Payout		6	%
					rayo	iut jo	70									
					Tax - dividends	0	↓ %					Тах	dividends	0)	*/ %
1	nvestment F	Period	5	🔀 years			↓ %	1	nvestment Period	5	* years		capital gains	. 0)	<u>*</u> %
			16.4%		Tax - capital gain	• <u> </u> -	1		Calculate	\$126.02		idX -	capital yallis) [th STRET	
	Cal	culate	10.4%	per year		Sync with	IARG		Calculate	19120.02				Sync Wi	UISIKEI	

current year	STR	ETD®				
current year		26 Sep 2	2013 F	Price	81.68	
Dividend Reinvestment			E	EPSttm	5.330	
 Buy additional shares Invest at the rate below 			F	PE Ratio	14.63	
	, vv			Growth	17	%
Note: PE and PR Ratio	s are ave of 4 yrs		F	Payout	6	%
Investment Period	5 1	years	Tax - dividen Tax - capital			∕ ∕ ∕
Calculate	16.4%	per year		S	ync with TARG	

AAP Advance Au	uto Parts Inc				▼ I Symbo	I	🗐 Details	Print	🕒 Save In	nage	😫 Save		🗄 Load	Default	Safety
Industry: Auto P	arts Stores				_				1					Market: USA	<u> </u>
				Earning	s Per Share (E	PS)									
12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10		12/12	EPSttm	Years		HGROWT		TAEGR™
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	9% 9	4.1%
					ales Per Share					_			HGROWT		AEGR™
31.540	34.809	39.418	43.820	48.904	54.213	57.813	72.297	84.760	84.556	Chart	6	•	Calc 12.9	5% 9	6.33%
					ofit Margin (NP					-			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
		05.50	00.40		on Equity (R			40.50		-			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
05.40	40.50			Price Earning	·					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	Hi	gh	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	Lo	W			
Price 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	Hi	gh	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	Lo	w	1		
					Payout Ratio	(PR)							Current PR		
0	0	0	8	11	10	8	6	5	5	_			5%		Chart
 Buy ac Invest a 	l Reinvestment dditional shares at the rate belo	Strategy s	RETD® 26 Sep 2 rs	013 Price EPStt PE Ra HGrov Payou	m 5.33 atio 14.6 wth 20.5	30 33		Current year Dividend Reinvestm C Buy additional sh C Invest at the rate Note: PE and PR Rat	nent Strategy nares below	FARGD® yrs			Req Return EPSttm PE Ratio HGrowth Payout	10.0 5.330 14.63 20.59 6	% % %
Investment		5	years	Tax - dividends Tax - capital gains	0 0 Sync with T	∳√% ∳√% ARG		Investment Period Calculate	5	▶ years	Tax - Tax -		tal gains	0 0 nc with STRE	• • • • • • • • • • • • • •

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

Safety

current year	STR	ETD®				
current year		26 Sep 2	2013	Price	81.68	
Dividend Reinvestment S	trategy			EPSttm	5.330	
 Buy additional shares Invest at the rate below 	,			PE Rati	0 12.94	
	·			HGrowth	h 9.85	%
Note: PE and PR Ratios	are ave of 4 yrs			Payout	3	%
Investment Period		years		ividends apital gains	0	* √% * √%
Calculate 6	.44%	per year			Sync with TAF	RG

Kill It

current voor	STRETD®		
current year	26 Sep 2013	Price	81.68
Dividend Reinvestment Strateg	у	EPSttm	5.330
 Buy additional shares Invest at the rate below 		PE Ratio	11
	HGrowth	9 %	
Note: PE and PR Ratios are av	ve of 4 yrs	Payout	3 %
Investment Period 5	∠+ years	dividends capital gains	0 • • % 0 • • • %
Calculate 2.28%	per year	Sy	nc with TARG

Kill it Again

ourrent year	STRETD®		
current year	26 Sep 2013	Price	81.68
Dividend Reinvestment St	EPSttm	5.330	
 Buy additional shares Invest at the rate below 		PE Ratio	10
	HGrowth	8.6 %	
Note: PE and PR Ratios a	Payout	3 %	
Investment Period	Tax	k - dividends k - capital gains	0 • • % 0 • • %
Calculate 0.0	1% per year	Sy	nc with TARG

DCF Model

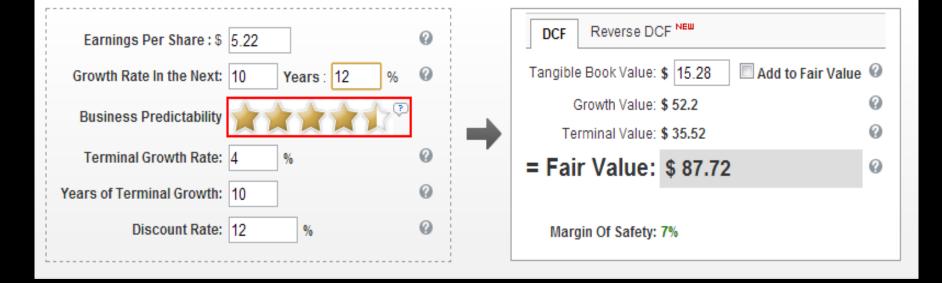
DCF – 10 Year FCF Growth Rate

Earnings Per Share : \$	5.22			0		DCF Reverse DCF NEW	
Growth Rate In the Next:	10	Years : 26	6.6 %	0		Tangible Book Value: \$ 15.28 🔲 Add to Fair Value	0
Business Predictability	*	**	*)		Growth Value: \$ 108.87	0
Terminal Growth Rate:	4	N		0		Terminal Value: \$ 120.95	0
Terminal Growth Rate.	4	%				= Fair Value: \$ 229.82	0
Years of Terminal Growth:	10			0		- Fall Value. \$ 229.02	
Discount Rate:	12	%		0	1		
						Margin Of Safety: 64%	

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