

ModernGraham Valuation

Company Name:

Company Ticker AAP

Date of Analysis

11/20/2016

Advance Auto Parts,
Inc.



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$11,703,896,847 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.37 Fail
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior	Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	156.45% Pass
5. Earnings Growth		
6. Moderate PEmg Ratio	PEmg < 20	26.08 Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	4.20 Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.37 Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.73 Pass
3. Earnings Stability	Positive EPS for 5 years prior	Pass
4. Dividend Record	Currently Pays Dividend	Pass
5. Earnings Growth	EPSmg greater than 5 years ago	Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$6.23
MG Growth Estimate	6.08%
MG Value	\$128.71
MG Value based on 3% Growth	\$90.37
MG Value based on 0% Growth	\$52.98
Market Implied Growth Rate	8.79%

MG Opinion

Current Price	\$162.57
% of Intrinsic Value	126.31%
Opinion	Overvalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$4.02
Graham Number	\$74.61
PEmg	26.08
Current Ratio	1.37
PB Ratio	4.20
Current Dividend	\$0.24
Dividend Yield	0.15%
Number of Consecutive Years of Dividend Growth	0

Useful Links:

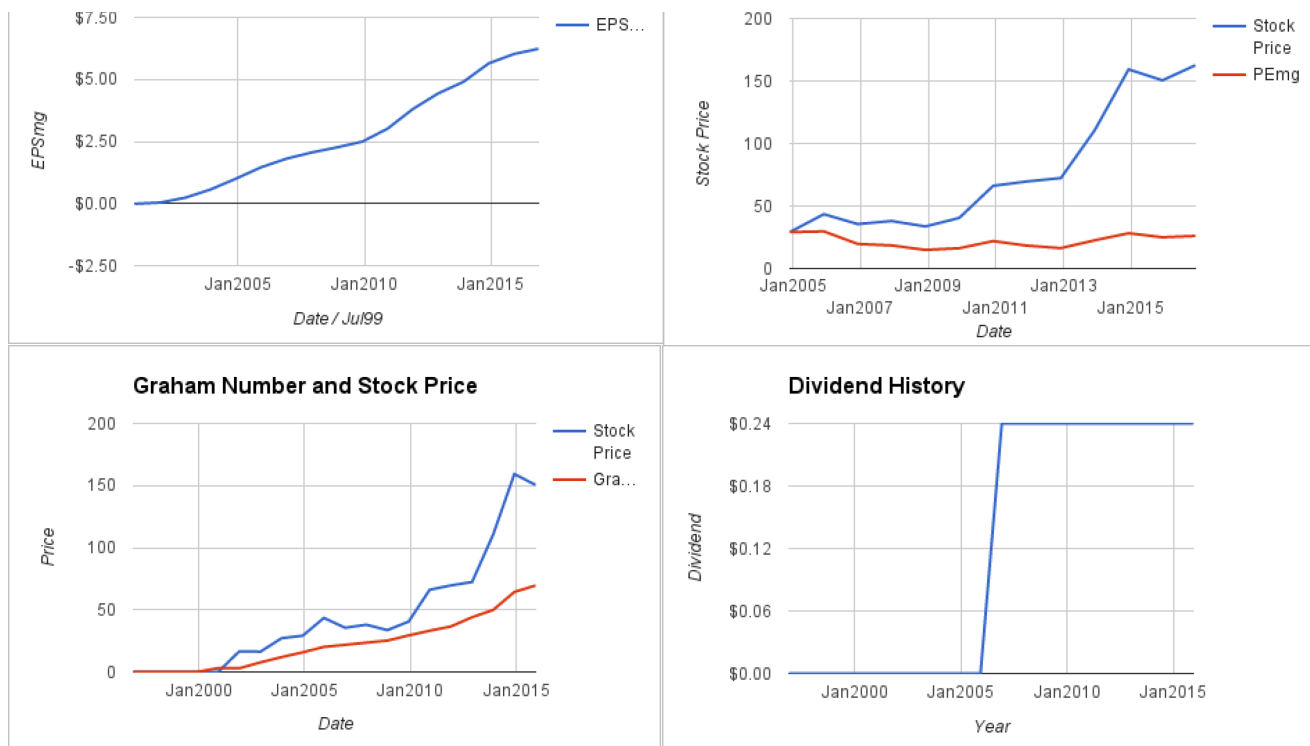
ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
	\$6.38		\$6.23
Dec2015	\$6.40	Dec2015	\$6.02
Dec2014	\$6.71	Dec2014	\$5.64
Dec2013	\$5.32	Dec2013	\$4.90
Dec2012	\$5.22	Dec2012	\$4.44
Dec2011	\$5.11	Dec2011	\$3.81
Dec2010	\$3.95	Dec2010	\$3.02
Dec2009	\$2.83	Dec2009	\$2.49
Dec2008	\$2.49	Dec2008	\$2.26
Dec2007	\$2.28	Dec2007	\$2.06
Dec2006	\$2.16	Dec2006	\$1.81
Dec2005	\$2.13	Dec2005	\$1.46
Dec2004	\$1.66	Dec2004	\$1.00
Dec2003	\$1.11	Dec2003	\$0.57
Dec2002	\$0.60	Dec2002	\$0.24
Dec2001	\$0.13	Dec2001	\$0.04
Dec2000	\$0.23	Dec2000	-\$0.01
Dec1999	-\$0.30	Balance Sheet Information 9/1/2016	
Dec1998	-\$0.04	Total Current Assets	\$5,262,126,000
Dec1997	\$0.00	Total Current Liabilities	\$3,837,351,000
Dec1996	\$0.00	Long-Term Debt	\$1,042,633,000
		Total Assets	\$8,414,645,000
		Intangible Assets	\$1,643,753,000
		Total Liabilities	\$5,558,924,000
		Shares Outstanding (Diluted Average)	73,860,000



EPSmg

Price and PEmg



Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other
ModernGraham
posts about the
company

[Advance Auto Parts Inc. Analysis – Initial Coverage \\$AAP](#)

Other
ModernGraham
posts about related
companies

[Delphi Automotive PLC Valuation – August 2016 \\$DLPH](#)

[Carmax Inc Valuation – August 2016 \\$KMX](#)

[BorgWarner Inc Valuation – August 2016 \\$BWA](#)

[Ford Motor Company Valuation – August 2016 \\$F](#)

[O'Reilly Automotive Inc Valuation – July 2016 \\$ORLY](#)

[Genuine Parts Co Valuation – July 2016 \\$GPC](#)

[Johnson Controls Inc Valuation – July 2016 \\$JCI](#)

[Goodyear Tire & Rubber Co Valuation – July 2016 \\$GT](#)

[Harley-Davidson Inc Valuation – June 2016 \\$HOG](#)

[Autozone Inc Valuation – June 2016 \\$AZO](#)