

# ModernGraham Valuation

Advance Auto Parts,  
Inc.



**Company Name:**

Company Ticker AAP

Date of Analysis

8/22/2017

## 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	\$7,076,036,443	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.48	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	91.48%	Pass
6. Moderate PEmg Ratio	PEmg < 20	16.24	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.27	Pass

*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	1.48	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.60	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 Score		Pass

### Suitability

<b>Defensive</b>	<b>Yes</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$5.90
MG Growth Estimate	3.05%
<b>MG Value</b>	<b>\$86.12</b>
MG Value based on 3% Growth	\$85.54
MG Value based on 0% Growth	\$50.14
Market Implied Growth Rate	3.87%

### MG Opinion

Current Price	\$95.80
% of Intrinsic Value	111.24%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C+</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$0.23
Graham Number	\$67.69
PEmg	16.24
Current Ratio	1.48
PB Ratio	2.27
Current Dividend	\$0.24
Dividend Yield	0.25%
Number of Consecutive Years of Dividend Growth	0

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.15	Next Fiscal Year Estimate	\$5.90
Dec2016	\$6.20	Dec2016	\$6.17
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	<b>Balance Sheet Information 6/1/2017</b>	
Dec1999	-\$0.30	Total Current Assets	\$5,326,215,000
Dec1998	-\$0.04	Total Current Liabilities	\$3,598,327,000
Dec1997	\$0.00	Long-Term Debt	\$1,043,690,000
		Total Assets	\$8,437,413,000
		Intangible Assets	\$1,612,795,000
		Total Liabilities	\$5,309,136,000
		Shares Outstanding (Diluted Average)	74,093,000





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 Valuation – November 2016 \\$AAP](#)
- [Advance Auto Parts Inc. Analysis – Initial Coverage \\$AAP](#)

Other ModernGraham posts about related companies

- [Fox Factory Holding Corp Valuation – Initial Coverage \\$FOXF](#)
- [Monro Muffler Brake Inc Valuation – Initial Coverage \\$MNRO](#)
- [Group 1 Automotive Inc Valuation – Initial Coverage \\$GPI](#)
- [Dana Inc Valuation – Initial Coverage \\$DAN](#)
- [Linamar Corp Valuation – Initial Coverage \\$TSE:LNR](#)
- [AutoNation Inc Valuation – March 2017 \\$AN](#)
- [Superior Industries International Inc Valuation – Initial Coverage \\$SUP](#)
- [Canadian Tire Corp Limited Valuation – Initial Coverage \\$TSE:CTC.A](#)
- [LKQ Corporation Valuation – Initial Coverage \\$LKQ](#)
- [Lithia Motors Inc Valuation – Initial Coverage \\$LAD](#)