# **ModernGraham Valuation**

## **Company Name:**

Advance Auto Parts, Inc.



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.

<ol> <li>Adequate</li> </ol>	Size of the Enterprise	Market Cap > \$2Bil	\$7,076,036,443 Pass
2. Sufficientl	ly 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
		Increase of 33% in EPS in past 10 years using 3 year averages at	
5. Earnings	Growth	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.

<ol> <li>Sufficiently Strong Financial Condition</li> </ol>	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	Pass
	Score	

Score

Suitability

Defensive Yes Enterprising Yes

#### Stage 2: Determination of Intrinsic Value

EPSmg	\$5.90
MG Growth Estimate	3.05%
MG Value	\$86.12
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%

Opinion Overvalued MG Grade C+

### 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

Morningstar

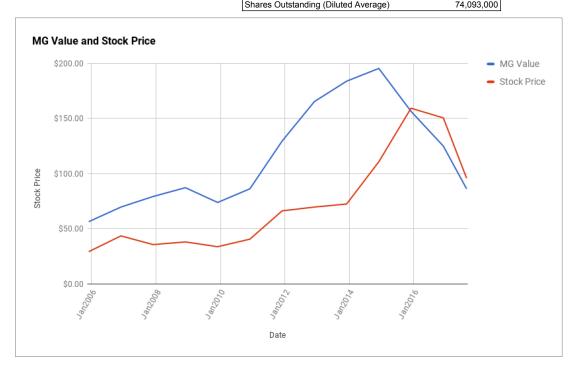
Useful Links: <u>ModernGraham tagged articles</u>

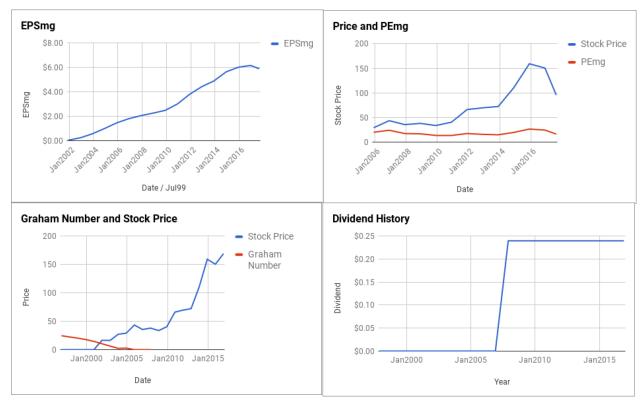
 Google Finance
 MSN Money

 Yahoo Finance
 Seeking Alpha

 GuruFocus
 SEC Filings

EPS History		EPSmg History	·
Next Fiscal Year	<b>A-</b> 4-		45.00
Estimate	• • • •	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	Balance Sheet Information	6/1/2017
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

<u>Dana Inc Valuation – Initial Coverage \$DAN</u> <u>Linamar Corp Valuation – Initial Coverage \$TSE:LNR</u>

AutoNation Inc Valuation - March 2017 \$AN

<u>Superior Industries International Inc Valuation – Initial Coverage \$SUP</u>

Canadian Tire Corp Limited Valuation - Initial Coverage \$TSE:CTC.A

<u>LKQ Corporation Valuation – Initial Coverage \$LKQ</u> <u>Lithia Motors Inc Valuation – Initial Coverage \$LAD</u>