

# ModernGraham Valuation

## Company Name:

Company Ticker AAP

Date of Analysis

6/27/2018

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	\$10,032,004,293	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.61	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	61.82%	Pass
5. Earnings Growth	PEmg < 20	21.22	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.87	Fail
7. Moderate Price to Assets			

*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	1.61	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.49	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>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$6.46
MG Growth Estimate	2.17%
<b>MG Value</b>	<b>\$82.90</b>
MG Value based on 3% Growth	\$93.66
MG Value based on 0% Growth	\$54.90
Market Implied Growth Rate	6.36%

### MG Opinion

Current Price	\$137.07
% of Intrinsic Value	165.35%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C-</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$7.40
Graham Number	\$82.94
PEmg	21.22
Current Ratio	1.61
PB Ratio	2.87
Current Dividend	\$0.24
Dividend Yield	0.18%
Number of Consecutive Years of Dividend Growth	0

### Useful Links:

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[GuruFocus](#)

[Morningstar](#)  
[MSN Money](#)  
[Seeking Alpha](#)  
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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$6.62	Next Fiscal Year Estimate	\$6.46
Dec2017	\$6.42	Dec2017	\$6.32
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	<b>Balance Sheet Information 4/1/2018</b>	
Dec2000	\$0.23	Total Current Assets	\$5,617,516,000
Dec1999	-\$0.30	Total Current Liabilities	\$3,480,139,000
Dec1998	-\$0.04	Long-Term Debt	\$1,044,755,000
		Total Assets	\$8,614,953,000
		Intangible Assets	\$1,576,807,000
		Total Liabilities	\$5,068,332,000
		Shares Outstanding (Diluted Average)	74,205,000





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 – August 2017 \\$AAP](#)  
[Advance Auto Parts Inc Valuation – November 2016 \\$AAP](#)  
[Advance Auto Parts Inc. Analysis – Initial Coverage \\$AAP](#)

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[LKQ Corporation – June 2018 \\$LKQ](#)  
[Aptiv PLC Valuation – Initial Coverage May 2018 \\$APTV](#)  
[BorgWarner Inc Valuation – April 2018 \\$BWA](#)  
[CarMax Inc Valuation – April 2018 \\$KMX](#)  
[Ford Motor Company Valuation – April 2018 \\$F](#)  
[General Motors Co Valuation – April 2018 \\$GM](#)  
[O'Reilly Automotive Inc Valuation – April 2018 \\$ORLY](#)  
[Goodyear Tire & Rubber Co Valuation – March 2018 \\$GT](#)  
[Genuine Parts Co Valuation – March 2018 \\$GPC](#)  
[AutoZone Inc Valuation – February 2018 \\$AZO](#)