

ModernGraham Valuation

Company Name:

Company Ticker AAP

Date of Analysis

3/31/2019

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 | \$12,221,885,012 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2 | 1.57 | 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 | 39.57% | Pass |
| 5. Earnings Growth | PEmg < 20 | 25.61 | Fail |
| 6. Moderate PEmg Ratio | PB Ratio < 2.5 OR PB*PEmg < 50 | 3.52 | 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 | 1.57 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1 | 0.48 | 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

| | |
|---------------------|------------|
| Defensive | No |
| Enterprising | Yes |

Stage 2: Determination of Intrinsic Value

| | |
|-----------------------------|----------------|
| EPSmg | \$6.66 |
| MG Growth Estimate | 1.58% |
| MG Value | \$77.67 |
| MG Value based on 3% Growth | \$96.55 |
| MG Value based on 0% Growth | \$56.60 |
| Market Implied Growth Rate | 8.56% |

MG Opinion

| | |
|----------------------|-------------------|
| Current Price | \$170.53 |
| % of Intrinsic Value | 219.56% |
| Opinion | Overvalued |
| MG Grade | C- |

Stage 3: Information for Further Research

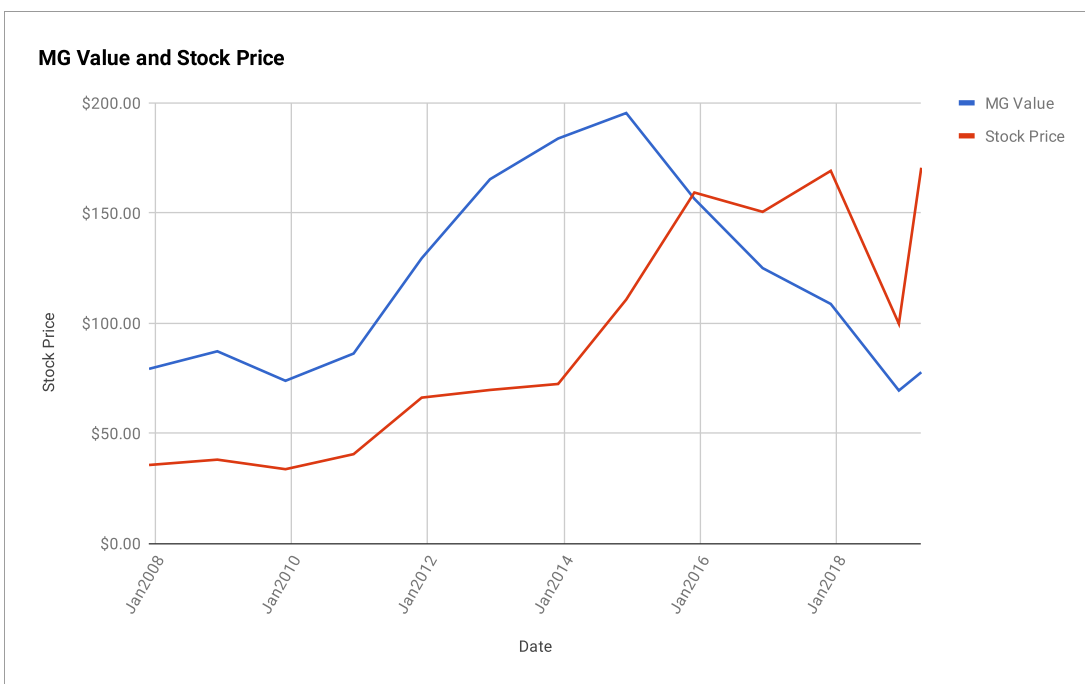
| | |
|--|---------|
| Net Current Asset Value (NCAV) | \$8.08 |
| Graham Number | \$92.34 |
| PEmg | 25.61 |
| Current Ratio | 1.57 |
| PB Ratio | 3.52 |
| Current Dividend | \$0.24 |
| Dividend Yield | 0.14% |
| Number of Consecutive Years of Dividend Growth | 0 |

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| EPS History | | EPSmg History | |
|---------------------------|---------|--|-----------------|
| Next Fiscal Year Estimate | \$7.78 | Next Fiscal Year Estimate | \$6.66 |
| Dec2018 | \$5.73 | Dec2018 | \$6.16 |
| 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 | Balance Sheet Information 12/1/2018 | |
| Dec2001 | \$0.13 | Total Current Assets | \$6,082,454,000 |
| Dec2000 | \$0.23 | Total Current Liabilities | \$3,885,950,000 |
| Dec1999 | -\$0.30 | Long-Term Debt | \$1,045,720,000 |
| | | Total Assets | \$9,040,648,000 |
| | | Intangible Assets | \$1,540,830,000 |
| | | Total Liabilities | \$5,489,835,000 |
| | | Shares Outstanding (Diluted Average) | 73,328,000 |





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:

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company**

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[Advance Auto Parts Inc Valuation – August 2017 \\$AAP](#)
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