

Advance Auto Parts, Inc.

Highlights from Meeting with Management

AAP's new CEO made a positive first impression at the sell-side meeting

While AAP's CEO is still early in his tenure, it's clear to us he wants to make long-lasting change. His aim is to move AAP to be more focused on the outside than the inside. This means starting with what the customer wants & moving backwards (previously AAP would start with what it was trying to accomplish). This might seem like business jargon, but the change should bring real & tangible differences, in our view. For instance, previously AAP might have pushed certain products to its customers because it would get more margin dollars. Now, if a customer wants a particular brand of hose because it's more pliable & less likely to break, AAP will focus on meeting this need. Over time, this should lead to better org. outcomes, superior financial performance, and greater rewards for shareholders.

A plan is in the making and should be ready for the fall

We think AAP is acting with a sense of urgency. While it has the luxury of operating under the umbrella of the relatively low expectations it recently set (incl. a very conservative -3% to -5% SSS outlook for FY'16), we think it is aiming much higher. It's looking to generate sequential improvements each quarter. For 2Q, that would mean doing better than the -1.9% comp decline it saw in 1Q. LT, AAP is confident its margin potential can surpass the 12% it had been targeting for this year. We think it will be looking for measured & consistent progress against this objective. It's currently putting the team together to execute on this path. In the last few weeks, it hired a new SVP of HR (Natalie Rothman from Pepsi). It expects to have the C-suite filled out by Xmas.

Several parts of AAP's infrastructure should be transformed

There are several points of AAP's infrastructure that are not where they need to be. On its supply chain, the co. made it clear it doesn't need to keep 50 DCs. Also, having 5x per week replenishment deliveries to all of its stores might not be the right answer. Some stores will need greater frequency & others will need less. The CEO was also quick to say its newest DCs for legacy Advance (in Remington, IN & Enfield, CT) have flaws & need work. For example, it's probably not necessary to have automated offloading of trailers. Plus, the number of SKUs should match the number of pick facings. Simply optimizing the productivity of these 2 locations should generate millions of dollars of savings. This illustrates the potential across the organization over the LR.

Valuation: The long-term growth story remains attractive

Our \$175 price target equates to 19x our CY'17E EPS.

Equities

Americas
Retailers, Broadline

12-month rating **Buy**

12m price target **US\$175.00**

Price **US\$152.55**

RIC: AAP.N BBG: AAP US

Trading data and key metrics

52-wk range	US\$200.38-138.41
Market cap.	US\$11.3bn
Shares o/s	73.8m (COM)
Free float	99%
Avg. daily volume ('000)	173
Avg. daily value (m)	US\$26.6
Common s/h equity (12/16E)	US\$2.88bn
P/BV (12/16E)	3.8x
Net debt / EBITDA (12/16E)	0.5x

EPS (UBS, diluted) (US\$)

	12/16E	
	UBS	Cons.
Q1	2.52	2.51
Q2E	2.16	2.10
Q3E	1.94	1.93
Q4E	1.36	1.26
12/16E	8.00	7.85
12/17E	9.25	8.81
12/18E	10.65	9.80

Michael Lasser

Analyst
michael.lasser@ubs.com
+1-212-713 2440

Mark Carden

Associate Analyst
mark.carden@ubs.com
+1-212-713 3218

Michael Goldsmith

Associate Analyst
michael.goldsmith@ubs.com
+1-212-713 2951

Highlights (US\$m)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Revenues	6,494	9,844	9,737	9,477	9,669	9,907	10,150	10,178
EBIT (UBS)	683	977	995	994	1,077	1,167	1,216	1,225
Net earnings (UBS)	411	571	578	584	643	699	730	735
EPS (UBS, diluted) (US\$)	5.60	7.78	7.84	8.00	9.25	10.65	11.75	12.48
DPS (US\$)	0.24	0.24	0.24	0.30	0.24	0.24	0.24	0.24
Net (debt) / cash	54	(1,537)	(1,128)	(648)	(640)	(673)	(676)	(709)
Profitability/valuation	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
EBIT margin %	10.5	9.9	10.2	10.5	11.1	11.8	12.0	12.0
ROIC (EBIT) %	50.9	39.0	27.9	27.9	30.3	32.5	32.2	30.7
EV/EBITDA (core) x	7.0	8.2	10.6	9.6	8.6	8.0	7.7	7.7
P/E (UBS, diluted) x	15.2	16.8	20.9	19.1	16.5	14.3	13.0	12.2
Equity FCF (UBS) yield %	5.6	4.5	3.9	5.7	5.5	6.0	6.3	6.0
Net dividend yield %	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.2

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$152.55 on 13 Jun 2016 18:45 EDT

UBS Research THESIS MAP a guide to our thinking and what's where in this report**PIVOTAL QUESTIONS****Q: Is AAP's comp guidance too conservative?**

We think its updated comp outlook of a -3% to -5% decline is beyond the reasonable range of likely outcomes (bordering on unrealistic). To realize the mid-point of the range, it would need to comp down an average of 5% for the next 3 quarters. Over the last 15 years, it has not reported one Q of a comp that was close to the mid-single digits, let alone 3 in a row.

["Pickin' Up Good Vibrations" 5/20/2016](#) →

Q: How will AAP be impacted now that it's moved away from its 12% op. margin target?

We think retracting its 12% operating margin was the right thing to do. This should allow AAP to focus on making the right business decisions for the long-term instead of operating to achieve an artificially set deadline. Further, this allows the new CEO to have more flexibility to make the right...

["Pickin' Up Good Vibrations" 5/20/2016](#) →

Q: Could AAP elect to sell to a competitor in the upcoming year?

Media reports such as Bloomberg suggest that AAP has been approached by at least one competitor about the possibility of a sale. We think it would make a lot of sense. First, there is some...

["2016 Outlook - Looking Hard and Broad" 1/8/2016](#) →

UBS VIEW

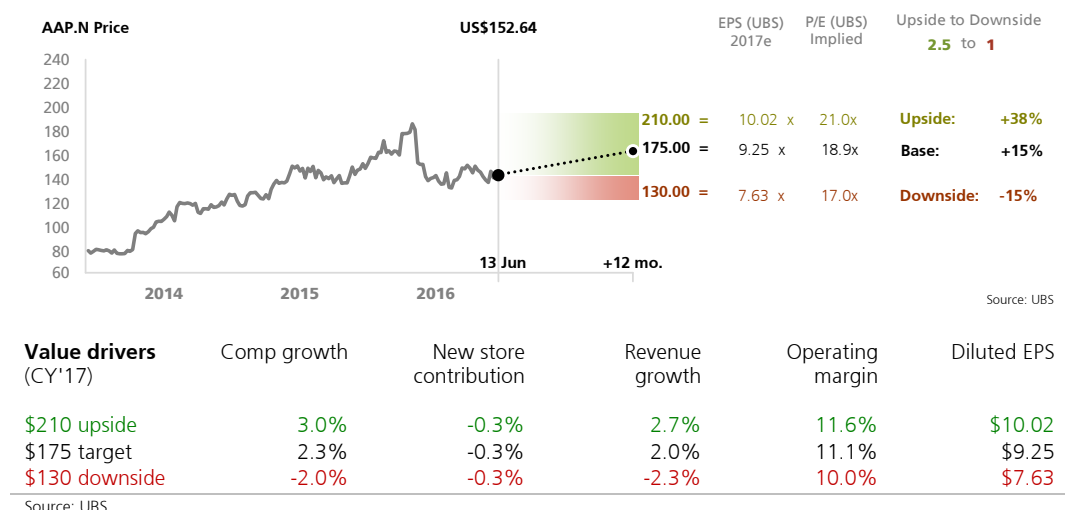
We think AAP's shares have a favorable risk/reward setup. By reducing its outlook for the year based on the decline in trends at the end of the quarter, AAP took a conservative approach to the year. While things may get worse before they get better, we believe the company's strong asset base and worthy initiatives should help it find more success. AAP can ultimately get closer to parity with its peers through better execution, systems, & culture. Plus, having a motivated activist investor on board should serve as a backstop for the shares.

EVIDENCE

Even on negative comp sales, AAP demonstrated strong expense leverage. The new CEO has demonstrated that he has a clear path to assembling a plan. Finally, by removing its 12% operating margin target, the company can focus on long-term execution as opposed to short-term gain.

WHAT'S PRICED IN?

After reporting soft results and guiding to continued weakness throughout the year, AAP's shares bounced back following its 1Q results. This suggests that the market is either discounting its reduced outlook or has increased confidence that it can improve its operations.

UPSIDE / DOWNSIDE SPECTRUM

[more](#) →

COMPANY DESCRIPTION

Advance Auto Parts is a leading retailer selling replacement parts, accessories, maintenance items, batteries, and automotive chemicals for cars and trucks in the automotive...

[more](#) →

PIVOTAL QUESTIONS

[return](#) ↑**Q: What are the implications of AAP's recent sell-side meeting?**

UBS VIEW

Overall, we believe AAP made a positive impression. Focusing on the customer's needs instead of on short-run margin targets should help lead to better organizational outcomes, superior financial performance, and greater rewards for shareholders over time. Ultimately, we believe AAP's new CEO is positioning the company to achieve much better results over the long run.

EVIDENCE

AAP's financial performance has been inconsistent. Its same-store sales and margins have trailed its peers. This has been the result of a strategy that has been more focused on achieving shorter-run goals at the expense of the long term.

WHAT'S PRICED IN?

While AAP's shares have moved higher since it reported, the stock still trades at a discount to its peers (AAP at 9.8x '16 EBITDA vs. ORLY at 14x and AZO at 11.6x). Our belief is that these multiples should converge over time.

Summary

AAP hosted a meeting with the sell-side and members of its management team, including Tom Greco, CEO, Mike Norona, EVP & CFO, and Zaheed Mawani, VP of Investor Relations. The most notable points of the conversation included:

AAP's new CEO recently sent a note to the company's employees that outlined some of his early observations. These were bucketed into three categories. First, those that fit in the heading of undeniable truths. This includes the importance of the customer and serving customers better than anyone. This will be enabled by having the right parts, at the right place, at the right time. Also, people are central to the success of the auto parts business. Thus, the company needs to empower its employees with the right tools, technology, and training. Second, there are indisputable challenges. In the past, much of AAP's focus has started with the company's headquarters and worked out from there. This led to sub-optimal outcomes. Also, the integration of General Parts has been distracting. There has been a need to have a strategy that worked alongside the integration, but the company didn't have this. Finally, there are unlimited opportunities. The CEO believes that AAP has the chance to generate comp sales that are equal to or better than its peers. It can also sharply improve its margins and deliver much better working capital efficiency. While these observations might be obvious, they are also pragmatic.

As AAP formulates its strategic plan, it's focused on big opportunities. It noted that 60% of its sales come from the commercial side of the market. It believes this segment will drive the growth for the industry in the future. This message struck us as a little too similar to what we have heard from AAP in the past. However, it's probably because this is where the company has most of its

assets focused. Others within the industry have shown that success in the commercial segment is not mutually exclusive with success in the DIY segment. So, we are hopeful that the company can do better on both sides of its business.

Consolidation math hasn't worked for AAP. This was an important discussion and highlighted a significant shortfall that has weighed on AAP in recent years. As it looked to consolidate its store base, it lost some sales that it probably shouldn't have. This was particularly true in Florida where ORLY has aggressively expanded in recent times. There were many situations where AAP had a legacy store that was producing around \$2 mm in sales and a legacy Carquest store that was producing \$1 mm in sales. When it looked to close the Carquest store and merge it into the AAP store, too often the parts pro became disenchanted, went to a competitor and brought his or her relationships with them. Now, it needs to devise a better strategy for how to approach this. As we see it, this is a big opportunity since AAP has 29% of its consolidated store base that resides within a 5-minute driving radius of another AAP store.

AAP has a chance to improve the productivity of its existing assets. The company believes it has significant potential to improve on what it is already doing. To put this in perspective, last year, it generated about \$10 billion in sales and ~\$1 billion in operating income. This means it has a \$9 billion pool of potential savings. It's aiming to capitalize on this potential step-by-step. For example, it has 17,000 vehicles that deliver parts from stores to customers. There could be a meaningful opportunity to optimize the utilization of these deliveries.

AAP needs the support of its vendors in order to win. This was an interesting point. Greco noted that based on his past experience, retailers sometimes face pressure from suppliers when experiencing challenges and resources are taken away from them. He can build on this experience to ensure that AAP is not put in this spot. The company needs support from the players in the industry in order to succeed.

The single store model might not be the right approach. Advance has been in the process of testing a model that is similar to ORLY's where all the store associates can help with all the sales in the store regardless if they come from the DIY side or the DIFM side. Though, the initial results haven't been that successful. AAP noted that it might not make sense to take a parts pro who has very good customer relationships and start making deliveries. Also, it can be harder to measure the performance of any given associate when the lines of responsibility are blurred. These are fair and true perspectives. Though, there is probably a balance where AAP can increase the team-oriented approach and have all of its associates pitch in when necessary.

The infrastructure of the legacy Advance business needs work. It needs to be digitized end-to-end. This is how the Worldpac business operates and it should serve as a model for how the AAP business should run. Over the next few years, AAP indicated plans to spend \$1 b of capital investment, consistent with our model. This would provide plenty of resource to modernize the company's infrastructure and systems.

What to do with the stock?

While AAP still has work to do and its turn-around will take time, we think the retailer is taking the right steps to ultimately achieve much better results. Switching to a customer-first business model should help lead to more sustainable sales

growth and market share gains. Further, its move to develop a more comprehensive, long-range plan by fall suggests it's acting with a sense of urgency and determination. As signs of the company's progress emerge, we think the shares will move higher. At current levels, we believe the company's shares are attractively priced. Our \$175 price target equates to 19x our CY'17 EPS estimate of \$9.25.

We think it is useful to examine how our valuation would respond to various changes in our assumptions for AAP's earnings outlook over the next few years and the valuation multiple that would be associated with those scenarios. The following figure highlights our base case, a high case, and a low case.

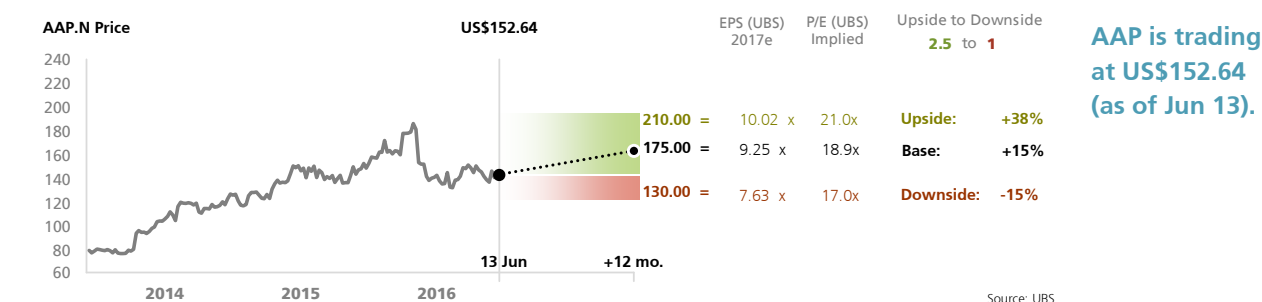
Figure 1: AAP valuation sensitivity analysis

	Base Case (Published estimates)					High Case			Low Case		
	2014A	2015A	2016E	2017E	2018E	2016E	2017E	2018E	2016E	2017E	2018E
Total Comp Growth	1.9%	0.1%	-1.7%	2.3%	2.1%	1.0%	3.0%	3.5%	-5.0%	-2.0%	0.0%
Total Growth Contribution from New Stores	49.7%	-1.2%	-1.0%	-0.3%	0.3%	-1.0%	-0.3%	0.3%	-1.0%	-0.3%	0.3%
Total Sales Growth	51.6%	-1.1%	-2.7%	2.0%	2.5%	0.0%	2.7%	3.8%	-6.0%	-2.3%	0.3%
Total Sales	9,844	9,737	9,477	9,669	9,907	9,740	10,004	10,386	9,156	8,946	8,975
Operating Income	977	995	994	1,077	1,167	1,064	1,162	1,311	917	896	935
Operating Income Margin	9.9%	10.2%	10.5%	11.1%	11.8%	10.9%	11.6%	12.6%	10.0%	10.0%	10.4%
Operating Income Yr. / Yr. Change	-60	30	27	65	65	70	70	100	-20	0	40
Interest Expense	-70	-73	(54)	(44)	(44)	(54)	(44)	(44)	(54)	(44)	(44)
Provision for Income Taxes	335	344	355	390	424	382	422	478	326	322	336
Income Taxes Rate	37.0%	37.3%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%
Diluted Net Income	571	578	584	643	699	628	696	789	537	531	555
Diluted EPS - reported	\$7.78	\$7.84	\$8.00	\$9.25	\$10.65	\$8.59	\$10.02	\$12.01	\$7.34	\$7.63	\$8.45
Shares outstanding - diluted	73.4	73.7	73.1	69.5	65.7	73.1	69.5	65.7	73.1	69.5	65.7

NTM PE Multiple:	22x	22x	19x	16x	24x	21x	17x	18x	17x	15x
Estimated Value:	\$175	\$175	\$175	\$175	\$206	\$210	\$204	\$132	\$130	\$127
Dividend:	\$0.24	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Upside / Downside (vs. \$152.55):	15%	15%	15%	15%	35%	38%	34%	-13%	-15%	-17%

Source: Company reports, UBS estimates

UPSIDE / DOWNSIDE SPECTRUM

[return](#) ↑

Value drivers (CY'17)	Comp growth	New store contribution	Revenue growth	Operating margin	Diluted EPS
\$210 upside	3.0%	-0.3%	2.7%	11.6%	\$10.02
\$175 target	2.3%	-0.3%	2.0%	11.1%	\$9.25
\$130 downside	-2.0%	-0.3%	-2.3%	10.0%	\$7.63

Source: UBS

Risk to the current share price is skewed (2.5:1) to the upsideAAP is trading at **US\$152.64** (as of Jun 13).

Upside (US\$210): In our upside case, we forecast 3.0% comp growth and -0.3% new store contribution driving 2.7% revenue growth. Further, we model a 11.6% operating margin, resulting in \$10.02 in EPS in CY'17E. We assign a 21x multiple to arrive at our upside case valuation of \$210.

Base (US\$175): In our base case, we forecast 2.3% comp growth and -0.3% new store contribution driving 2.0% revenue growth. Further, we model an 11.1% operating margin, resulting in \$9.25 in EPS in CY'17E. We assign a 19x multiple to arrive at our base case price target of \$175.

Downside (US\$130): In our downside case, we forecast -2.0% comp growth and -0.3% new store contribution driving -2.3% revenue growth. Further, we model a 10.0% operating margin, resulting in \$7.63 in EPS in CY'17E. We assign a 17x multiple to arrive at our downside case valuation of \$130.

COMPANY DESCRIPTION

[return](#) ↑

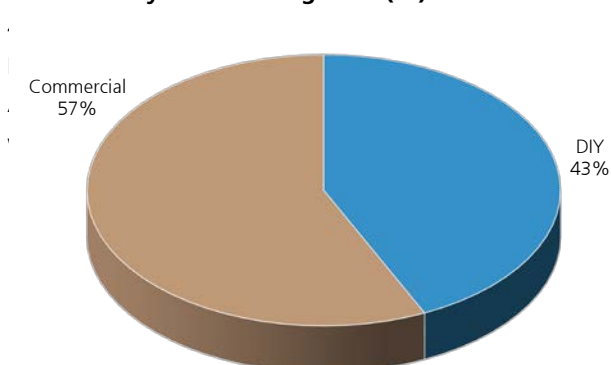
Market Cap	US\$11.3bn
Shares Outstanding	73.8m (COM)
Industry	Retail, Auto Parts
Region	Americas
Website	www.advanceautoparts.com

Advance Auto Parts is a leading retailer selling replacement parts, accessories, maintenance items, batteries, and automotive chemicals for cars and trucks in the automotive aftermarket industry. The company operates more than 5,200 stores in the US, Puerto Rico, and the Virgin Islands. In addition, it also serves 1,300 independently-owned stores. The company caters to do-it-yourself and do-it-for-me customers.

Industry outlook

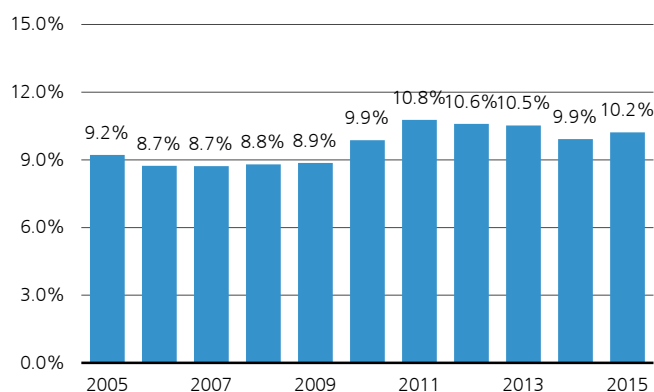
The Hardlines/Broadlines space won't be immune to challenges in 2016. Most notably, the group has typically underperformed as rates have risen. Additionally, real wage growth will be a double-edged sword, likely spurring further gains in spending, but also pressuring expenses for those exposed to low skilled workers. These factors add to the undertone of the shift from shopping at boxes to shopping through devices. Though, some sectors should benefit from continued momentum of the housing cycle.

Revenues by business segment (%)



Source: Company data, UBS

Operating margin by year



Source: Company data, UBS

Figure 2: AAP quarterly income statement (\$ millions)

	2014					2015					2016E					2017E				
	Apr-14	Jul-14	Oct-14	Jan-15	FY'14	Apr-15	Jul-15	Oct-15	Jan-16	FY'15	Apr-16	Jul-16 E	Oct-16 E	Dec-16 E	FY'16 E	Apr-17 E	Jul-17 E	Oct-17 E	Dec-17 E	FY'17 E
Days in Period	112	84	84	91	364	112	84	84	84	364	112	84	84	84	364	112	84	84	84	364
DIY Sales	1,306.6	1,009.5	984.5	962.0	4,262.6	1,306.4	1,019.1	986.9	874.4	4,186.9	1,281.3	961.2	952.9	879.6	4,075.0	1,298.3	978.8	975.8	904.9	4,157.8
DIFM Sales	1,662.9	1,338.2	1,305.0	1,275.2	5,581.3	1,731.8	1,350.9	1,308.3	1,159.1	5,550.1	1,698.5	1,274.2	1,263.1	1,166.0	5,401.8	1,721.0	1,297.5	1,293.5	1,199.5	5,511.5
Net sales	2,969.5	2,347.7	2,289.5	2,237.2	9,843.9	3,038.2	2,370.0	2,295.2	2,033.5	9,737.0	2,979.8	2,235.4	2,216.0	2,045.6	9,476.8	3,019.3	2,276.4	2,269.3	2,104.4	9,669.4
Cost of Sales	1,616.4	1,285.6	1,255.0	1,233.3	5,390.2	1,644.3	1,282.7	1,262.8	1,124.4	5,314.2	1,629.9	1,223.3	1,219.2	1,120.8	5,193.2	1,637.9	1,235.5	1,238.3	1,143.5	5,255.3
Gross Profit	1,353.1	1,062.1	1,034.4	1,003.9	4,453.6	1,393.9	1,087.3	1,032.4	909.2	4,422.8	1,349.9	1,012.1	996.7	924.8	4,283.6	1,381.4	1,040.9	1,030.9	960.8	4,414.1
Selling/General/Administrative	1,068.7	799.4	797.6	811.2	3,476.9	1,085.6	801.8	788.6	751.6	3,427.7	1,034.9	741.7	756.9	756.1	3,289.6	1,042.6	750.8	770.6	773.6	3,337.5
Operating Income	284.4	262.7	236.8	192.7	976.7	308.3	285.5	243.8	157.6	995.1	315.0	270.4	239.8	168.7	993.9	338.8	290.1	260.3	187.2	1,076.5
Interest Expense	(23.6)	(16.9)	(15.9)	(17.0)	(73.4)	(21.8)	(15.4)	(14.4)	(13.8)	(65.4)	(18.9)	(14.0)	(12.5)	(12.0)	(57.4)	(14.0)	(10.0)	(10.0)	(10.0)	(44.0)
Other (expense) income net	0.6	0.2	0.4	1.9	3.1	(1.9)	(3.8)	1.3	(3.0)	(7.5)	3.1	0.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0	0.1
Expenses from offering	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, Net	(23.0)	(16.7)	(15.5)	(15.1)	(70.3)	(23.7)	(19.2)	(13.1)	(16.9)	(72.9)	(15.8)	(14.0)	(12.5)	(12.0)	(54.2)	(14.0)	(10.0)	(10.0)	(10.0)	(43.9)
Net Income Before Taxes	261.3	246.1	221.3	177.6	906.4	284.6	266.2	230.7	140.7	922.2	299.2	256.4	227.3	156.7	939.7	324.8	280.2	250.4	177.3	1,032.6
Provision for Income Taxes	95.9	92.9	82.0	64.3	335.1	108.1	98.6	86.5	50.6	343.8	113.1	96.9	85.9	59.3	355.2	122.6	105.8	94.5	66.9	389.8
Net Income After Taxes	165.4	153.2	139.3	113.4	571.3	176.5	167.6	144.2	90.1	578.4	186.1	159.5	141.4	97.5	584.5	202.2	174.4	155.9	110.4	642.8
Net Income (ex Items)	165.4	153.2	139.3	113.4	571.3	176.5	167.6	144.2	90.1	578.4	186.1	159.5	141.4	97.5	584.5	202.2	174.4	155.9	110.4	642.8
Diluted EPS	\$2.26	\$2.09	\$1.90	\$1.54	\$7.78	\$2.40	\$2.27	\$1.95	\$1.22	\$7.84	\$2.51	\$2.16	\$1.94	\$1.36	\$8.00	\$2.85	\$2.49	\$2.26	\$1.62	\$9.25
Diluted Weighted Average Shares	73.4	73.4	73.4	73.5	73.4	73.7	73.7	73.8	73.9	73.7	73.8	73.8	72.8	71.9	73.1	70.9	70.0	69.0	68.1	69.5
EBITDA	372.6	327.2	302.7	258.8	1,261.4	391.5	348.1	305.4	219.5	1,264.6	394.3	336.3	305.2	229.1	1,264.9	435.4	363.0	333.0	254.6	1,386.0
Yr./Yr. Change	39.0%	34.8%	38.4%	60.2%	41.6%	5.1%	6.4%	0.9%	-15.2%	0.3%	0.7%	-3.4%	-0.1%	4.3%	0.0%	10.4%	7.9%	9.1%	11.1%	9.6%
EBITDA Margin	12.5%	13.9%	13.2%	11.6%	12.8%	12.9%	14.7%	13.3%	10.8%	13.0%	13.2%	15.0%	13.8%	11.2%	13.3%	14.4%	15.9%	14.7%	12.1%	14.3%
Yr./Yr. Change (bp)	(76)	(173)	(116)	10	(91)	34	75	8	(77)	17	35	36	46	40	36	119	90	90	90	99
Margin Analysis - as a % of Revenues																				
Cost of sales	54.4%	54.8%	54.8%	55.1%	54.8%	54.1%	54.1%	55.0%	55.3%	54.6%	54.7%	54.7%	55.0%	54.8%	54.8%	54.2%	54.3%	54.6%	54.3%	54.3%
Gross margin	45.6%	45.2%	45.2%	44.9%	45.2%	45.9%	45.9%	45.0%	44.7%	45.4%	45.3%	45.3%	45.0%	45.2%	45.2%	45.8%	45.7%	45.4%	45.7%	45.7%
Yr./Yr. Change (bp)	(446)	(505)	(500)	(494)	(484)	31	64	(20)	(17)	18	(58)	(60)	-	50	(22)	45	45	45	45	45
Selling, General And Administrative	36.0%	34.0%	34.8%	35.3%	35.3%	35.7%	33.8%	34.4%	37.0%	35.2%	34.7%	33.2%	34.2%	37.0%	34.7%	34.5%	33.0%	34.0%	36.8%	34.5%
Yr./Yr. Change (bp)	(391)	(367)	(412)	(547)	(424)	(26)	(22)	(48)	70	(12)	(100)	(65)	(20)	-	(49)	(20)	(20)	(20)	(20)	(20)
Operating Income	9.6%	11.2%	10.3%	8.6%	9.9%	10.1%	12.0%	10.6%	7.7%	10.2%	10.6%	12.1%	10.8%	8.2%	10.5%	11.2%	12.7%	11.5%	8.9%	11.1%
Yr./Yr. Change (bp)	(55)	(137)	(88)	53	(60)	57	85	28	(87)	30	43	5	20	50	27	65	65	65	65	65
Tax Rate	36.7%	37.8%	37.0%	36.2%	37.0%	38.0%	37.0%	37.5%	36.0%	37.3%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%
Net Income	5.6%	6.5%	6.1%	5.1%	5.8%	5.8%	7.1%	6.3%	4.4%	5.9%	6.2%	7.1%	6.4%	4.8%	6.2%	6.7%	7.7%	6.9%	5.2%	6.6%
Year/Year Growth Rates																				
DIY Comp Store Sales	1.0%	0.6%	-1.0%	-1.0%	0.0%	-0.6%	-0.3%	0.0%	-3.0%	-0.9%	-1.9%	-4.0%	-2.0%	0.5%	-1.9%	1.0%	1.0%	1.0%	1.5%	1.1%
DIFM Comp Store Sales	4.5%	5.5%	5.0%	4.3%	4.8%	1.8%	2.0%	0.9%	-2.1%	0.8%	-1.9%	-4.8%	-2.0%	3.0%	-1.5%	3.0%	3.0%	3.5%	3.5%	3.2%
Comparable Store Sales	2.4%	2.6%	1.5%	1.1%	1.9%	0.7%	1.0%	0.5%	-2.5%	0.1%	-1.9%	-4.5%	-2.0%	1.9%	-1.7%	2.1%	2.1%	2.4%	2.6%	2.3%
Net sales	47.3%	51.5%	50.6%	58.8%	51.6%	2.3%	1.0%	0.3%	-9.1%	-1.1%	-1.9%	-5.7%	-3.5%	0.6%	-2.7%	1.3%	1.8%	2.4%	2.9%	2.0%
Cost of sales	60.5%	66.9%	65.7%	74.4%	66.3%	1.7%	-0.2%	0.6%	-8.8%	-1.4%	-0.9%	-4.6%	-3.5%	-0.3%	-2.3%	0.5%	1.0%	1.6%	2.0%	1.2%
Gross margin	34.2%	36.3%	35.6%	43.1%	36.9%	3.0%	2.4%	-0.2%	-9.4%	-0.7%	-3.2%	-6.9%	-3.5%	1.7%	-3.1%	2.3%	2.8%	3.4%	3.9%	3.0%
Selling, general and administrative	32.9%	36.8%	34.7%	38.0%	35.4%	1.6%	0.3%	-1.1%	-7.3%	-1.4%	-4.7%	-7.5%	-4.0%	0.6%	-4.0%	0.7%	1.2%	1.8%	2.3%	1.5%
Operating Income	39.4%	35.0%	38.8%	42.9%	36.9%	8.4%	8.7%	2.9%	-18.2%	1.9%	2.2%	-5.3%	-1.6%	7.1%	-0.1%	7.6%	7.3%	8.6%	11.0%	8.3%
Pre-tax earnings	34.5%	31.6%	35.7%	66.2%	39.2%	8.9%	8.2%	4.2%	-20.8%	1.8%	5.1%	-3.7%	-1.5%	11.4%	1.9%	8.6%	9.3%	10.1%	13.1%	9.9%
Earnings from continuing operations	35.8%	31.1%	34.2%	64.9%	38.9%	6.7%	9.4%	3.5%	-20.5%	1.2%	5.4%	-4.9%	-1.9%	8.2%	1.1%	8.7%	9.4%	10.2%	13.2%	10.0%
Diluted EPS	36.7%	31.0%	33.7%	64.3%	38.9%	6.2%	9.0%	3.0%	-20.9%	0.8%	4.8%	-5.1%	-0.7%	11.2%	1.9%	13.6%	15.4%	16.3%	19.3%	15.7%
Shares outstanding - diluted	-0.6%	0.1%	0.4%	0.3%	0.1%	0.4%	0.4%	0.5%	0.5%	0.4%	0.3%	0.2%	-1.3%	-2.7%	-0.9%	-4.0%	-5.3%	-5.2%	-5.2%	-4.9%
Operating Metrics																				
No. of Stores	6,781	6,795	6,764	6,697	6,697	6,650	6,669	6,658	6,593	6,593	6,511	6,482	6,458	6,440	6,440	6,451	6,462	6,473	6,485	6,485
Yr./Yr. Change	71%	70%	68%	65%	65%	-2%	-2%	-2%	-2%	-2%	-2%	-3%	-3%	-2%	-2%	-1%	0%	0%	1%	1%
Sales per Store	\$0.4	\$0.3	\$0.3	\$0.3	\$1.5	\$0.5	\$0.4	\$0.3	\$0.3	\$1.5	\$0.5	\$0.3	\$0.3	\$0.3	\$1.5	\$0.5	\$0.4	\$0.4	\$0.3	\$1.5
Yr./Yr. Change	-13.8%	-11.0%	-10.5%	-4.0%	-8.3%	4.3%	2.9%	1.8%	-7.7%	0.5%	0.2%	-3.0%	-0.5%	3.0%	-0.4%	2.3%	2.1%	2.2%	2.2%	1.3%
SG&A per Store	0.2	0.1	0.1	0.1	0.5	0.2	0.1	0.1	0.1	0.5	0.2	0.1	0.1	0.1	0.5	0.2	0.1	0.1	0.1	0.5
Yr./Yr. Change	-22.2%	-19.7%	-20.0%	-16.6%	-18.2%	3.6%	2.2%	0.4%	-5.9%	0.1%	-2.6%	-4.8%	-1.0%	3.0%	-1.7%	1.5%	1.6%	1.6%	1.6%	0.8%
Inventory per Store	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.7	\$0.6	\$0.6	\$0.6	\$0.6	\$0.7	\$0.6	\$0.6	\$0.7	\$0.7
Yr./Yr. Change	-5.6%	-4.0%	-5.0%	-6.9%	-6.9%	7.0%	6.7%	6.7%	7.7%	7.7%	10.3%	-1.9%	-0.5%	2.1%	2.1%	1.4%	1.3%	1.3%	1.3%	1.3%

Source: Company reports, UBS estimates

Figure 3: AAP quarterly cash flow statement (\$ millions)

	2014					2015					2016E					2017E				
	Apr-14	Jul-14	Sep-14	Dec-14	FY'14	Apr-15	Jul-15	Oct-15	Dec-15	FY'15	Apr-16	Jul-16E	Sep-16E	Dec-16 E	FY'16E	Apr-17E	Jul-17E	Sep-17E	Dec-17 E	FY'17E
Days in Quarter	112	84	84	91	364	112	84	84	84	364	112	84	84	84	364	112	84	84	84	364
Cash Flows from Operating Activities																				
Net Income	147.7	139.5	122.2	84.4	493.8	148.1	150.0	120.5	54.8	473.4	158.8	159.5	141.4	97.5	557.2	202.2	174.4	155.9	110.4	642.8
Depreciation and Amortization	88.2	64.5	65.9	66.1	284.7	83.2	62.6	61.6	62.0	269.5	79.3	65.9	65.4	60.3	271.0	96.6	72.8	72.6	67.3	309.4
Stock Based Compensation	7.1	5.2	3.6	5.7	21.7	8.9	8.8	8.2	11.0	36.9	6.7	8.3	7.9	10.6	33.4	6.7	8.4	8.1	10.9	34.2
Deferred Income Taxes	5.2	7.0	20.0	16.2	48.5	(5.2)	(3.3)	(5.0)	4.3	(9.2)	7.2	(3.3)	(5.0)	4.3	3.2	7.2	(3.3)	(5.0)	4.3	3.2
Tax benefit related to exercise of stock	(4.2)	(1.0)	(0.6)	(4.8)	(10.5)	(6.5)	(1.9)	(1.9)	(2.7)	(13.0)	(13.1)	(1.9)	(1.9)	(2.7)	(19.6)	(13.1)	(1.9)	(1.9)	(2.7)	(19.6)
Other Non-cash Adjustments	1.2	1.1	3.1	10.4	15.9	6.2	2.3	3.3	3.8	15.5	(0.5)	2.3	3.3	3.8	8.8	(0.5)	2.3	3.3	3.8	8.8
Change in Working Capital	(164.2)	23.0	5.4	(9.4)	(145.1)	(132.6)	10.2	2.5	36.5	(83.5)	(163.0)	330.9	18.3	(123.9)	62.4	(218.1)	328.9	13.7	(91.9)	32.6
Cash from Operating Activities	81.1	239.4	219.7	168.7	709.0	102.2	228.6	189.3	169.6	689.6	75.3	561.7	229.5	49.9	916.4	81.0	581.6	246.8	102.0	1,011.4
Cash Flows from Investing Activities																				
Capital Expenditures	(60.5)	(45.7)	(55.3)	(66.9)	(228.4)	(57.0)	(57.5)	(46.7)	(73.5)	(234.7)	(89.1)	(62.6)	(62.0)	(57.3)	(271.1)	(120.8)	(91.1)	(90.8)	(84.2)	(386.8)
Business acquisitions	(2,056.9)	(2.2)	(1.6)	0.0	(2,060.8)	(0.4)	(16.0)	(2.5)	0.0	(18.9)	-	-	-	-	-	-	-	-	-	-
Sale of Property/Equipment	0.0	0.1	(0.1)	-	-	0.3	0.2	(0.3)	0.1	0.3	1.2	-	-	-	1.2	-	-	-	-	-
Other	-	-	0.7	0.3	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Investing Activities	(2,117.4)	(47.9)	(56.3)	(66.6)	(2,288.2)	(57.2)	(73.3)	(49.5)	(73.4)	(253.4)	(87.9)	(62.6)	(62.0)	(57.3)	(269.8)	(120.8)	(91.1)	(90.8)	(84.2)	(386.8)
Cash Flows from Financing Activities																				
Bank Overdrafts	(5.8)	12.0	(2.9)	12.9	16.2	11.6	(1.7)	13.6	(26.4)	(2.9)	14.6	-	-	-	14.6	-	-	-	-	-
Dividend Paid	(8.8)	(4.4)	(4.4)	(0.0)	(17.6)	(8.8)	(4.4)	(4.4)	(0.0)	(17.6)	(8.9)	(4.4)	(4.4)	(4.3)	(22.0)	(4.3)	(4.2)	(4.1)	(4.1)	(16.7)
(Payments) borrowings on note payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings (payments) under credit fa	1,019.0	(204.0)	(132.7)	(98.9)	583.4	(26.7)	(156.7)	(160.0)	(80.0)	(423.4)	26.0	-	-	-	26.0	-	-	-	-	-
Payment of debt related costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Issuance of Common, primarily frc	3.0	1.2	1.3	1.1	6.6	1.4	1.2	1.4	1.3	5.2	1.1	-	-	-	1.1	-	-	-	-	-
Repurchase of Stock	(0.6)	(0.1)	(0.1)	(4.3)	(5.2)	(1.6)	(0.1)	(0.1)	(4.8)	(6.7)	(11.8)	-	(150.0)	(150.0)	(311.8)	(150.0)	(150.0)	(150.0)	(150.0)	(600.0)
Excess tax benefit from share based o	4.2	(3.1)	(5.7)	(2.4)	(7.1)	6.5	(7.7)	(0.3)	1.3	(0.1)	13.1	-	-	-	13.1	-	-	-	-	-
Other	(3.4)	(7.1)	5.3	4.7	(0.4)	(7.7)	7.5	(0.1)	(0.1)	(0.4)	(11.3)	-	-	-	(11.3)	-	-	-	-	-
Issuance of Subordinated Notes	-	-	-	-	-	-	-	-	-	-	-	(75.0)	-	-	(75.0)	-	(100.0)	-	-	(100.0)
Increase in Borrowings-Trade Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Financing Activities	1,007.6	(205.5)	(139.2)	(87.0)	575.9	(25.3)	(162.0)	(149.9)	(108.7)	(446.0)	23.0	(79.4)	(154.4)	(154.3)	(365.2)	(154.3)	(254.2)	(154.1)	(154.1)	(716.7)
(Decrease) Increase in Cash and Equivalen	(1,028.7)	(14.0)	24.2	15.1	(1,003.3)	19.7	(6.7)	(10.1)	(12.6)	(9.7)	10.4	419.7	13.1	(161.7)	281.4	(194.0)	236.3	1.9	(136.2)	(92.1)
Foreign Exchange Effects	(0.4)	(1.9)	(2.0)	(0.1)	-	(0.6)	(2.6)	0.9	(2.0)	(4.2)	2.6	-	-	-	-	-	-	-	-	-
Net Change in Cash	(1,029.1)	(15.9)	22.2	15.0	(1,003.3)	19.2	(9.3)	(9.2)	(14.6)	(13.9)	12.9	419.7	13.1	(161.7)	281.4	(194.0)	236.3	1.9	(136.2)	(92.1)
Net Cash - Beginning Balance	1,112.5	83.4	67.4	89.7	1,112.5	104.7	123.8	114.5	105.3	104.7	90.8	103.7	523.4	536.5	90.8	374.7	180.7	417.0	418.9	374.7
Net Cash - Ending Balance	83.4	67.4	89.7	104.8	109.1	123.8	114.5	105.3	90.8	90.8	103.7	523.4	536.5	374.7	372.1	180.7	417.0	418.9	282.6	282.6
Cash Flow Projection Assumptions																				
Cash Flow from Operations	81.1	239.4	219.7	168.7	709.0	102.2	228.6	189.3	169.6	689.6	75.3	561.7	229.5	49.9	916.4	81.0	581.6	246.8	102.0	1,011.4
Yr./Yr. Change	-40%	37%	149%	15%	30%	26%	-5%	-14%	1%	-3%	-26%	146%	21%	-71%	33%	8%	4%	8%	105%	10%
FCF																				
Free Cash Flow (after Capex before A	20.6	193.7	164.5	101.8	480.5	45.2	171.1	142.6	96.0	454.9	(13.8)	499.1	167.4	(7.4)	645.3	(39.8)	490.5	156.0	17.8	624.6
Yr./Yr. Change	-71%	54%	213%	3%	37%	119%	-12%	-13%	-6%	-5%	-131%	192%	17%	-108%	42%	188%	-2%	-7%	-341%	-3%
Free Cash Flow (before Acqs) - Trailing	297.9	365.6	477.5	480.5	505.1	482.5	460.6	454.9	395.9	723.9	748.7	645.3	619.3	610.8	599.3	624.6	56%	-16%	-20%	-3%
Yr./Yr. Change	-11%	5%	32%	37%	70%	32%	-4%	-5%	-22%	50%	63%	42%	56%	-16%	-20%	-3%	-	-	-	-
Free Cash Flow (after Capex and Acq	(2,036.3)	191.4	162.8	101.8	(1,580.2)	44.7	155.1	140.1	96.0	436.0	(13.8)	499.1	167.4	(7.4)	645.3	(39.8)	490.5	156.0	17.8	624.6
Yr./Yr. Change	1675%	52%	210%	2%	-1067%	-102%	-19%	-14%	-6%	-128%	-131%	222%	20%	-108%	48%	188%	-2%	-7%	-341%	-3%
Free Cash Flow per Share	(\$14.02)	(\$0.19)	\$0.33	\$0.21	(\$13.67)	\$0.27	(\$0.09)	(\$0.14)	(\$0.17)	(\$0.13)	\$0.14	\$5.68	\$0.18	(\$2.25)	\$3.85	(\$2.74)	\$3.38	\$0.03	(\$2.00)	(\$1.32)
Free Cash Flow / Net Income	0.1x	1.3x	1.2x	0.9x	0.8x	0.3x	1.0x	1.0x	1.1x	0.8x	-0.1x	3.1x	1.2x	-0.1x	1.1x	-0.2x	2.8x	1.0x	0.2x	1.0x
EBITDA																				
EBITDA	372.6	327.2	302.7	258.8	1,261.4	391.5	348.1	305.4	219.5	1,264.6	394.3	336.3	305.2	229.1	1,264.9	435.4	363.0	333.0	254.6	1,386.0
Yr./Yr. Change	39.0%	34.8%	38.4%	60.2%	41.6%	5.1%	6.4%	0.9%	-15.2%	0.3%	0.7%	-3.4%	-0.1%	4.3%	0.0%	10.4%	7.9%	9.1%	11.1%	9.6%
EBITDA - Trailing 4Q's	995.6	1,080.1	1,164.1	1,261.4	-	1,280.3	1,301.2	1,303.9	1,264.6	-	1,267.4	1,255.6	1,255.4	1,264.9	-	1,306.0	1,332.7	1,360.4	1,386.0	-
Yr./Yr. Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDAR	-	-	-	-	1,776.8	-	-	-	-	1,871.5	-	-	-	-	1,860.1	-	-	-	-	1,976.2

Source: Company reports, UBS estimates

Figure 4: AAP quarterly balance sheet (\$ millions)

	2014					2015					2016E					2017E				
	Apr-14	Jul-14	Oct-14	Jan-15	FY'14	Apr-15	Jul-15	Oct-15	Jan-16	FY'15	Apr-16	Jul-16E	Oct-16E	Dec-16 E	FY'16E	Apr-17E	Jul-17E	Oct-17E	Dec-17 E	FY'17E
Days in Quarter	112	84	84	91	364	112	84	84	84	364	112	84	84	84	364	112	84	84	84	364
Assets																				
Cash/Equivalent	83.4	67.4	89.7	104.7	104.7	123.8	114.5	105.3	90.8	90.8	103.7	523.4	536.5	374.7	374.7	180.7	417.0	418.9	282.6	282.6
Receivables, Net	576.6	622.4	634.8	579.8	579.8	631.9	653.3	664.6	597.8	597.8	651.0	616.2	641.7	608.8	608.8	659.6	627.5	657.1	626.3	626.3
Inventories Net	3,910.9	3,935.2	3,941.5	3,937.0	3,937.0	4,104.8	4,119.6	4,141.6	4,174.8	4,174.8	4,433.0	3,928.7	3,998.6	4,161.5	4,161.5	4,454.9	3,967.8	4,061.3	4,245.9	4,245.9
Other Current Assets	70.9	89.7	97.2	119.6	119.6	76.3	90.5	96.9	77.4	77.4	78.6	85.4	93.5	77.9	77.9	79.6	86.9	95.8	80.1	80.1
Total Current Assets	4,641.8	4,714.8	4,763.3	4,741.0	4,741.0	4,936.9	4,977.9	5,008.4	4,940.7	4,940.7	5,266.2	5,153.6	5,270.2	5,223.0	5,223.0	5,374.8	5,099.2	5,233.1	5,235.0	5,235.0
Property and Equipment, Net	1,425.1	1,422.1	1,424.6	1,432.0	1,432.0	1,398.0	1,400.3	1,396.1	1,434.6	1,434.6	1,432.7	1,429.3	1,426.0	1,423.0	1,423.0	1,447.1	1,465.3	1,483.5	1,500.3	1,500.3
Assets for Sale	0.6	0.6	0.6	0.6	0.6	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	1,011.3	1,001.2	997.7	995.4	995.4	993.3	991.7	992.6	989.5	989.5	993.7	993.7	993.7	993.7	993.7	993.7	993.7	993.7	993.7	993.7
Intangibles, Net	789.8	779.4	763.3	748.1	748.1	729.8	714.7	702.7	687.1	687.1	676.4	676.4	676.4	676.4	676.4	676.4	676.4	676.4	676.4	676.4
Other assets, net	44.4	51.4	48.2	45.1	45.1	88.2	83.2	81.8	82.6	82.6	69.9	69.9	69.9	69.9	69.9	69.9	69.9	69.9	69.9	69.9
Total Assets	7,913.1	7,969.5	7,997.7	7,962.4	7,962.4	8,146.7	8,167.9	8,181.5	8,134.6	8,134.6	8,439.0	8,323.0	8,436.3	8,385.9	8,385.9	8,561.9	8,304.5	8,456.6	8,475.3	8,475.3
Liabilities																				
Current Portion of LTD	70.9	70.7	5.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Account Payable	2,976.0	3,054.3	3,091.0	3,095.4	3,095.4	3,138.6	3,174.4	3,180.2	3,203.9	3,203.9	3,318.0	3,041.9	3,084.9	3,247.1	3,247.1	3,349.1	3,086.8	3,148.0	3,367.4	3,367.4
Accrued Expenses	541.5	579.2	573.2	520.7	520.7	536.9	547.8	582.7	553.2	553.2	534.7	516.7	562.5	531.9	531.9	541.8	526.2	576.1	547.1	547.1
Other Liability	76.0	69.9	114.3	126.4	126.4	148.4	156.9	187.5	39.8	39.8	55.2	148.0	181.0	40.0	40.0	56.0	150.7	185.4	41.2	41.2
Total Current Liabilities	3,664.2	3,774.2	3,784.0	3,743.1	3,743.1	3,824.5	3,879.8	3,950.9	3,797.5	3,797.5	3,908.6	3,707.2	3,829.1	3,819.6	3,819.6	3,947.4	3,764.3	3,910.1	3,956.4	3,956.4
LT Debt	2,001.7	1,797.8	1,730.2	1,636.3	1,636.3	1,609.7	1,453.0	1,293.1	1,213.2	1,213.2	1,229.9	1,017.2	1,017.2	1,017.2	1,017.2	1,017.2	917.2	917.2	917.2	917.2
Other LT Liability	580.5	583.0	558.0	580.1	580.1	565.9	545.9	524.4	663.3	663.3	671.4	671.4	671.4	671.4	671.4	671.4	671.4	671.4	671.4	671.4
Deferred Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	6,246.4	6,155.0	6,072.2	5,959.4	5,959.4	6,000.1	5,878.7	5,768.5	5,673.9	5,673.9	5,809.8	5,395.7	5,517.6	5,508.2	5,508.2	5,635.9	5,352.9	5,498.6	5,544.9	5,544.9
Shareholders' Equity																				
Paid In Capital	(966.8)	1,665.8	1,641.8	1,605.8	1,605.8	1,581.9	1,561.2	1,545.4	1,502.8	1,502.8	1,494.1	1,637.2	1,491.6	1,357.5	1,357.5	1,207.7	1,063.2	917.8	784.0	784.0
Retained Earnings	2,924.5	148.8	283.7	397.1	397.1	564.7	727.9	867.7	957.8	957.8	1,135.0	1,290.1	1,427.1	1,520.3	1,520.3	1,718.3	1,888.5	2,040.2	2,146.4	2,146.4
Treasury stock	(291.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other stockholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Shareholders' Equity	1,666.6	1,814.5	1,925.5	2,002.9	2,002.9	2,146.6	2,289.1	2,413.1	2,460.6	2,460.6	2,629.1	2,927.3	2,918.7	2,877.8	2,877.8	2,926.0	2,951.7	2,958.0	2,930.4	2,930.4
Total Liabilities & Shareholders' Equity	7,913.1	7,969.5	7,997.7	7,962.4	7,962.4	8,146.7	8,167.9	8,181.5	8,134.6	8,134.6	8,439.0	8,323.0	8,436.3	8,385.9	8,385.9	8,561.9	8,304.5	8,456.6	8,475.3	8,475.3

Source: Company reports, UBS estimates

Figure 5: AAP store count information

	2014					2015					2016E					2017E				
	Apr-14	Jul-14	Oct-14	Jan-15	FY'14	Apr-15	Jul-15	Oct-15	Jan-16	FY'15	Apr-16	Jul-16E	Oct-16E	Dec-16 E	FY'16E	Apr-17E	Jul-17E	Oct-17E	Dec-17 E	FY'17E
Days in Quarter	112	84	84	91	364	112	84	84	84	364	112	84	84	84	364	112	84	84	84	364
Store Count																				
AAP & BPW	3,832	3,830	3,836	3,877	3,832	3,926	3,944	4,007	4,072	3,926	4,114	4,149	4,209	4,264	4,114	4,324	4,334	4,344	4,354	4,324
Stores opened or acquired	17	17	45	47	126	20	15	13	34	82	13	15	15	20	63	10	10	10	10	40
Stores closed	2	0			6	6	1	2	43	52	5	0	0	0	5	0	0	0	0	0
Consolidated	(17)	(11)	(3)	(5)	(36)	(3)	0	(2)	(1)	(6)	0	0	0	0	0	0	0	0	0	0
Converted	0	0	0	10	10	7	49	56	52	164	27	45	40	40	152	0	0	0	0	0
Net additions	(2)	6	41	49	94	18	63	65	42	188	35	60	55	60	210	10	10	10	10	40
AAP, end of period	3,830	3,836	3,877	3,926	3,926	3,944	4,007	4,072	4,114	4,114	4,149	4,209	4,264	4,324	4,324	4,334	4,344	4,354	4,364	4,364
AI	217	216	220	220	217	210	181	182	183	210	184	181	181	181	184	181	181	181	181	181
Stores opened or acquired	0	4	1	0	5	0	1	1	3	5	0	0	0	0	0	0	0	0	0	0
Stores closed	1	0	0	0	1	0	0	0	2	2	3	0	0	0	3	0	0	0	0	0
Consolidated	0	0	(1)	(10)	(11)	(25)	0	0	0	(25)	0	0	0	0	0	0	0	0	0	0
Converted	0	0	0	0	0	(4)	0	0	0	(4)	0	0	0	0	0	0	0	0	0	0
Net additions	(1)	4	0	(10)	(7)	(29)	1	1	1	(26)	(3)	0	0	0	(3)	0	0	0	0	0
AI Stores, end of period	216	220	220	210	210	181	182	183	184	184	181	181	181	181	181	181	181	181	181	181
CQ	0	1,230	1,233	1,208	0	1,125	1,110	1,063	985	1,125	873	756	666	586	873	506	506	506	506	506
Stores opened or acquired	1,236	7	1	1	1,245	1	20	2	0	23	1	0	0	0	1	0	0	0	0	0
Stores closed	6	4	0	2	12	1	0	0	34	35	2	0	0	0	2	0	0	0	0	0
Consolidated	0	0	(26)	(72)	(98)	(12)	(18)	(24)	(26)	(80)	(89)	(45)	(40)	(40)	(214)	0	0	0	0	0
Converted	0	0	0	(10)	(10)	(3)	(49)	(56)	(52)	(160)	(27)	(45)	(40)	(40)	(152)	0	0	0	0	0
Net additions	1,230	3	(25)	(83)	1,125	(15)	(47)	(78)	(112)	(252)	(117)	(90)	(80)	(80)	(367)	0	0	0	0	0
AI Stores, end of period	1,230	1,233	1,208	1,125	1,125	1,110	1,063	985	873	873	756	666	586	506	506	506	506	506	506	506
WORLDPAK	0	105	106	109	0	111	115	117	118	111	122	125	126	127	122	129	130	131	132	129
Stores opened or acquired	105	1	3	2	111	4	2	1	4	11	3	1	1	2	7	1	1	1	2	5
Stores closed	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Consolidated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net additions	105	1	3	2	111	4	2	1	4	11	3	1	1	2	7	1	1	1	2	5
AI Stores, end of period	105	106	109	111	111	115	117	118	122	122	125	126	127	129	129	130	131	132	134	134
CQ Independents	0	1,400	1,400	1,350	0	1,325	1,300	1,300	1,300	1,325	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Stores opened or acquired	1,400	0	0	0	1,400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stores closed	0	0	50	25	75	25	0	0	0	25	0	0	0	0	0	0	0	0	0	0
Consolidated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net additions	1,400	0	(50)	(25)	1,325	(25)	0	0	0	(25)	0	0	0	0	0	0	0	0	0	0
AI Stores, end of period	1,400	1,400	1,350	1,325	1,325	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Total Stores beg. of period	4,049	6,781	6,795	6,764	4,049	6,697	6,650	6,669	6,658	6,697	6,593	6,511	6,482	6,458	6,593	6,440	6,451	6,462	6,473	6,440
Stores opened or acquired	2,758	29	50	50	2,887	25	38	17	41	121	17	16	16	22	71	11	11	11	12	45
Stores closed	9	4	51	30	94	32	1	2	79	114	10	0	0	0	10	0	0	0	0	0
Consolidated	(17)	(11)	(30)	(87)	(145)	(40)	(18)	(26)	(27)	(111)	(89)	(45)	(40)	(40)	(214)	0	0	0	0	0
Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net additions	2,732	14	(31)	(67)	2,648	(47)	19	(11)	(65)	(104)	(82)	(29)	(24)	(18)	(153)	11	11	11	12	45
Total Stores, end of period	6,781	6,795	6,764	6,697	6,697	6,650	6,669	6,658	6,593	6,593	6,511	6,482	6,458	6,440	6,440	6,451	6,462	6,473	6,485	6,485
Commercial Programs																				
AAP Commercial Programs	6,108	6,117	6,182	6,261	6,261	6,293	6,394	6,497	6,564	6,564	6,624	6,720	6,808	6,904	6,904	6,924	6,940	6,956	6,972	6,972
No. of Programs added during period	2,591	6,117	65	78	2,744	33	101	104	67	304	60	96	88	96	339	20	16	16	16	68
Yr./Yr. Growth - No. of Programs	2,792	2,656	2,698	2,744	2,744	185	277	315	304	304	331	327	311	339	339	300	220	148	68	68
Yr./Yr. Growth - %	84%	77%	77%	78%	78%	3%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	3%	2%	1%	1%
% AAP Stores with a Commercial Program	159%	159%	159%	159%	159%	160%	160%	160%	160%	160%	160%	160%	160%	160%	160%	160%	160%	160%	160%	160%
AI Commercial Programs	216	220	220	210	210	181	182	183	184	184	181	181	181	181	181	181	181	181	181	181
% AI Stores	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Stores with Commercial Programs	6,324	6,337	6,402	6,471	6,471	6,474	6,576	6,680	6,748	6,748	6,805	6,901	6,989	7,085	7,085	7,105	7,121	7,137	7,153	7,153
% Total Stores	93%	93%	95%	97%	97%	97%	99%	100%	102%	102%	105%	106%	108%	110%	110%	110%	110%	110%	110%	110%
Average Store Size																				
Average Size of All Stores (sq ft -000's)	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47
Yr./Yr. Growth	-11.3%	-11.6%	-11.6%	-11.8%	-11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Size of New Stores (sq ft -000's)	5.19	6.47	6.47	6.47	5.15	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47	6.47
Yr./Yr. Growth	-26.9%	-47.1%	-18.7%	-26.8%	-34.2%	24.7%	0.0%	0.0%	0.0%	25.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Square Footage																				
Total - Sales Floor Square Feet (mm's)	43.9	44.0	43.8	43.3	43.3	43.0	43.2	43.1	42.7	42.7	42.1	41.9	41.8	41.7	41.7	41.7	41.8	41.9	42.0	42.0
Yr./Yr. Growth	51.6%	50.6%	48.7%	45.9%	45.9%	-1.9%	-1.9%	-1.6%	-1.6%	-1.6%	-2.1%	-2.8%	-3.0%	-2.3%	-2.3%	-0.9%	-0.3%	0.2%	0.7%	0.7%

Source: Company reports, UBS estimates

Advance Auto Parts, Inc. (AAP.N)

	12/13	12/14	12/15	12/16E	% ch	12/17E	% ch	12/18E	12/19E	12/20E
Income statement (US\$m)										
Revenues	6,494	9,844	9,737	9,477	-2.7	9,669	2.0	9,907	10,150	10,178
Gross profit	3,252	4,454	4,423	4,284	-3.1	4,414	3.0	4,547	4,664	4,682
EBITDA (UBS)	891	1,261	1,265	1,265	0.0	1,386	9.6	1,484	1,541	1,550
Depreciation & amortisation	(208)	(285)	(269)	(271)	0.6	(309)	14.2	(317)	(325)	(326)
EBIT (UBS)	683	977	995	994	-0.1	1,077	8.3	1,167	1,216	1,225
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(32)	(70)	(73)	(54)	25.6	(44)	19.1	(44)	(44)	(44)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	651	906	922	940	1.9	1,033	9.9	1,123	1,172	1,181
Tax	(240)	(335)	(344)	(355)	-3.3	(390)	-9.7	(424)	(443)	(446)
Profit after tax	411	571	578	584	1.1	643	10.0	699	730	735
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	(19)	(77)	(105)	(27)	74.0	0	-	0	0	0
Net earnings (local GAAP)	392	494	473	557	17.7	643	15.4	699	730	735
Net earnings (UBS)	411	571	578	584	1.1	643	10.0	699	730	735
Tax rate (%)	36.9	37.0	37.3	37.8	1.4	37.8	-0.1	37.8	37.8	37.8
Per share (US\$)										
EPS (UBS, diluted)	5.60	7.78	7.84	8.00	1.9	9.25	15.7	10.65	11.75	12.48
EPS (local GAAP, diluted)	5.34	6.73	6.42	7.62	18.7	9.25	21.3	10.65	11.75	12.48
EPS (UBS, basic)	5.65	7.85	7.91	8.06	1.9	9.33	15.7	10.75	11.86	12.61
Net DPS (US\$)	0.24	0.24	0.24	0.30	25.5	0.24	-20.1	0.24	0.24	0.24
Cash EPS (UBS, diluted) ¹	8.44	11.66	11.50	11.70	1.8	13.70	17.1	15.48	16.98	18.01
Book value per share	20.73	27.29	33.61	39.81	18.4	42.65	7.1	45.34	53.29	57.11
Average shares (diluted)	73.38	73.42	73.74	73.10	-0.9	69.51	-4.9	65.67	62.12	58.88
Balance sheet (US\$m)										
Cash and equivalents	1,112	105	91	375	312.8	283	-24.6	150	147	114
Other current assets	2,877	4,636	4,850	4,848	0.0	4,952	2.1	5,054	5,399	5,408
Total current assets	3,989	4,741	4,941	5,223	5.7	5,235	0.2	5,203	5,545	5,521
Net tangible fixed assets	1,286	1,433	1,435	1,423	-0.8	1,500	5.4	1,580	1,661	1,742
Net intangible fixed assets	250	1,744	1,677	1,670	-0.4	1,670	0.0	1,670	1,670	1,670
Investments / other assets	40	45	83	70	-15.4	70	0.0	70	70	70
Total assets	5,565	7,962	8,135	8,386	3.1	8,475	1.1	8,523	8,946	9,004
Trade payables & other ST liabilities	2,764	3,742	3,797	3,819	0.6	3,956	3.6	4,092	4,190	4,198
Short term debt	1	1	1	1	0.00	1	0.00	1	1	1
Total current liabilities	2,765	3,743	3,797	3,820	0.6	3,956	3.6	4,093	4,190	4,198
Long term debt	1,053	1,636	1,213	1,017	-16.2	917	-9.8	817	817	817
Other long term liabilities	231	580	663	671	1.2	671	0.0	671	671	671
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	4,049	5,959	5,674	5,508	-2.9	5,545	0.7	5,581	5,679	5,687
Common s/h equity	1,516	2,003	2,461	2,878	17.0	2,930	1.8	2,941	3,268	3,317
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	5,565	7,962	8,135	8,386	3.1	8,475	1.1	8,523	8,946	9,004
Cash flow (US\$m)										
Net income (before pref divs)	392	494	473	557	17.7	643	15.4	699	730	735
Depreciation & amortisation	208	285	269	271	0.6	309	14.2	317	325	326
Net change in working capital	(52)	(145)	(83)	62	-	33	-47.7	35	35	(1)
Other operating	0	27	39	23	-42.7	23	3.2	24	25	25
Operating cash flow	547	661	699	913	30.7	1,008	10.4	1,076	1,115	1,085
Tangible capital expenditure	(196)	(228)	(235)	(271)	-15.5	(387)	-42.7	(396)	(406)	(407)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	20	0	0	1	354.4	0	-	0	0	0
Other investing	0	1	0	0	-	0	-	0	0	0
Investing cash flow	(176)	(227)	(234)	(270)	-15.1	(387)	-43.3	(396)	(406)	(407)
Equity dividends paid	(18)	(18)	(18)	(22)	-24.4	(17)	24.0	(16)	(15)	(14)
Share issues / (buybacks)	(61)	(6)	(2)	(298)	NM	(600)	-101.6	(700)	(700)	(700)
Other financing	(27)	0	0	(11)	2,862.8	0	-	0	0	0
Change in debt & pref shares	437	600	(426)	(34)	91.94	(100)	-191.07	(100)	0	0
Financing cash flow	331	576	(446)	(365)	18.1	(717)	-96.3	(816)	(715)	(714)
Cash flow inc/(dec) in cash	703	1,009	18	278	NM	(95)	-	(136)	(6)	(36)
FX / non cash items	(188)	(2,017)	(32)	6	-	3	-45.1	3	3	3
Balance sheet inc/(dec) in cash	514	(1,008)	(14)	284	-	(92)	-	(133)	(3)	(33)

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Advance Auto Parts, Inc. (AAP.N)

Valuation (x)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
P/E (local GAAP, diluted)	16.0	19.5	25.5	20.0	16.5	14.3	13.0	12.2
P/E (UBS, diluted)	15.2	16.8	20.9	19.1	16.5	14.3	13.0	12.2
P/CEPS	10.0	11.1	14.1	12.9	11.0	9.8	8.9	8.4
Equity FCF (UBS) yield %	5.6	4.5	3.9	5.7	5.5	6.0	6.3	6.0
Net dividend yield (%)	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.2
P/BV x	4.1	4.8	4.9	3.8	3.6	3.4	2.9	2.7
EV/revenues (core)	1.0	1.1	1.4	1.3	1.2	1.2	1.2	1.2
EV/EBITDA (core)	7.0	8.2	10.6	9.6	8.6	8.0	7.7	7.7
EV/EBIT (core)	9.1	10.6	13.4	12.2	11.1	10.2	9.8	9.7
EV/OpFCF (core)	9.7	10.5	13.7	12.9	12.0	11.1	11.0	10.9
EV/op. invested capital	4.7	4.1	3.7	3.4	3.4	3.3	3.2	3.0
Enterprise value (US\$m)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Market cap.	6,270	9,603	12,033	11,265	11,265	11,265	11,265	11,265
Net debt (cash)	(21)	742	1,333	888	644	673	675	675
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	6,249	10,344	13,366	12,153	11,909	11,939	11,940	11,940
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	6,249	10,344	13,366	12,153	11,909	11,939	11,940	11,940
Growth (%)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Revenue	4.7	51.6	-1.1	-2.7	2.0	2.5	2.5	0.3
EBITDA (UBS)	5.2	41.6	0.3	0.0	9.6	7.1	3.8	0.6
EBIT (UBS)	3.9	42.9	1.9	-0.1	8.3	8.4	4.2	0.7
EPS (UBS, diluted)	7.1	38.9	0.8	1.9	15.7	15.2	10.3	6.2
Net DPS	0.8	0.0	0.0	25.5	-20.1	-0.5	0.0	0.0
Margins & Profitability (%)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Gross profit margin	50.1	45.2	45.4	45.2	45.7	45.9	46.0	46.0
EBITDA margin	13.7	12.8	13.0	13.3	14.3	15.0	15.2	15.2
EBIT margin	10.5	9.9	10.2	10.5	11.1	11.8	12.0	12.0
Net earnings (UBS) margin	6.3	5.8	5.9	6.2	6.6	7.1	7.2	7.2
ROIC (EBIT)	50.9	39.0	27.9	27.9	30.3	32.5	32.2	30.7
ROIC post tax	32.1	24.6	17.5	17.4	18.9	20.2	20.0	19.1
ROE (UBS)	30.2	32.5	25.9	21.9	22.1	23.8	23.5	22.3
Capital structure & Coverage (x)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Net debt / EBITDA	(0.1)	1.2	0.9	0.5	0.5	0.5	0.4	0.5
Net debt / total equity %	(3.6)	76.7	45.8	22.5	21.8	22.9	20.7	21.4
Net debt / (net debt + total equity) %	(3.7)	43.4	31.4	18.4	17.9	18.6	17.1	17.6
Net debt/EV %	(0.9)	14.9	8.4	5.3	5.4	5.6	5.7	5.9
Capex / depreciation %	94.2	80.2	87.1	100.0	125.0	125.0	125.0	125.0
Capex / revenue %	3.0	2.3	2.4	2.9	4.0	4.0	4.0	4.0
EBIT / net interest	21.4	13.9	13.7	18.3	24.5	26.6	27.6	27.8
Dividend cover (UBS)	23.6	NM	NM	26.8	NM	NM	NM	NM
Div. payout ratio (UBS) %	4.2	3.1	3.0	3.7	2.6	2.2	2.0	1.9
Revenues by division (US\$m)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Others	6,494	9,844	9,737	9,477	9,669	9,907	10,150	10,178
Total	6,494	9,844	9,737	9,477	9,669	9,907	10,150	10,178
EBIT (UBS) by division (US\$m)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
Others	683	977	995	994	1,077	1,167	1,216	1,225
Total	683	977	995	994	1,077	1,167	1,216	1,225

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+14.7%
Forecast dividend yield	0.2%
Forecast stock return	+14.9%
Market return assumption	5.7%
Forecast excess return	+9.2%

Valuation Method and Risk Statement

Investing in shares of Advance Auto Parts entails certain risks including, but not limited to, changes in trends in consumer spending, unfavorable weather, declines in average age of vehicle or miles driven, intensified competition from other retailers, and potential challenges as the company expands particularly in the Western half of the United States.

Our price target is based on a multiple analysis.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission. UBS acts or may act as principal in the debt securities (or in related derivatives) that may be the subject of this report.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	38%	26%
Sell	FSR is > 6% below the MRA.	14%	19%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2016.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: **UK and European Investment Fund ratings and definitions are:** **Buy:** Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with FINRA. Such analysts may not be associated persons of UBS Securities LLC and therefore are not subject to the FINRA restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Michael Lasser; Mark Carden; Michael Goldsmith.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Advance Auto Parts, Inc. ¹⁶	AAP.N	Buy	N/A	US\$153.02	10 Jun 2016

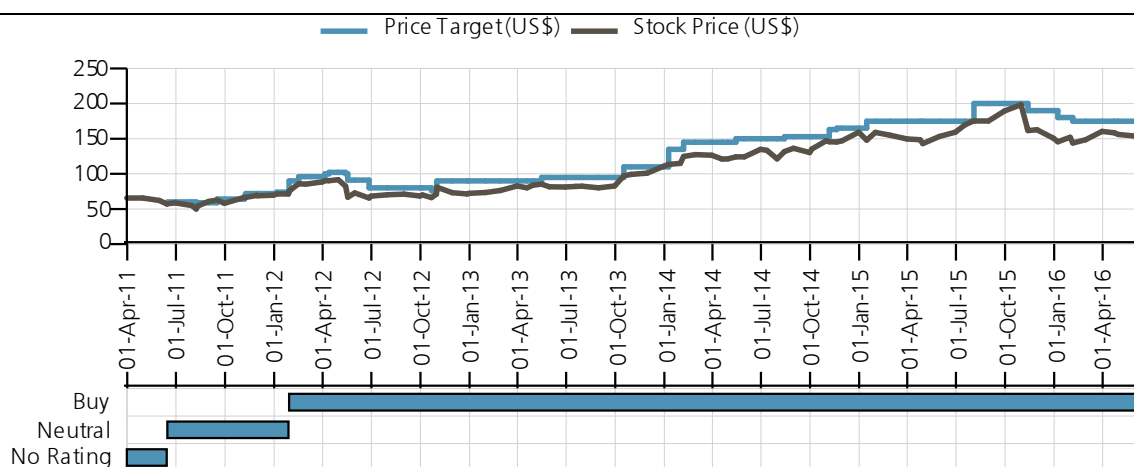
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report. For a complete set of disclosure statements associated with the companies discussed in this report, including information on valuation and risk, please contact UBS Securities LLC, 1285 Avenue of Americas, New York, NY 10019, USA, Attention: Investment Research.

Advance Auto Parts, Inc. (US\$)



Source: UBS; as of 10 Jun 2016

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo and, in certain instances, UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g., market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

All Global Research is available on UBS Neo. Please contact your UBS sales representative if you wish to discuss your access to UBS Neo.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (<http://www.ubs.com/global/en/legalinfo2/disclaimer.html>). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (<http://www.ubs.com/global/en/legalinfo2/privacy.html>) and cookie notice (<http://www.ubs.com/global/en/homepage/cookies/cookie-management.html>).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ("the Information"), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

UBS has policies and procedures, which include, without limitation, independence policies and permanent information barriers, that are intended, and upon which UBS relies, to manage potential conflicts of interest and control the flow of information within divisions of UBS and among its subsidiaries, branches and affiliates. For further information on the ways in which UBS manages conflicts and maintains independence of its research products, historical performance information and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management, which will also have sole discretion on the timing and frequency of any published research product. The analysis contained in this document is based on numerous assumptions. All material information in relation to published research reports, such as valuation methodology, risk statements, underlying assumptions (including sensitivity analysis of those assumptions), ratings history etc. as required by the Market Abuse Regulation, can be found on NEO. Different assumptions could result in materially different results.

The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part, and UBS's subsidiaries, branches and affiliates as a whole.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:**

Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey.

Poland: Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce has contributed to this document, the document is also deemed to have been prepared by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce.

Russia: Prepared and distributed by UBS Bank (OOO).

Switzerland: Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Italy: Prepared by UBS Limited and distributed by UBS Limited and UBS Limited, Italy Branch. Where an analyst of UBS Limited, Italy Branch has contributed to this document, the document is also deemed to have been prepared by UBS Limited, Italy Branch.

South Africa: Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328).

Israel: This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons.

Saudi Arabia: This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37.

Dubai: The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates.

United States: Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a "non-US affiliate") to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. UBS Securities LLC is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule"), and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.

Canada: Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration.

Mexico: This report has been distributed and prepared by UBS Casa de Bolsa, S.A. de C.V., UBS Grupo Financiero, an entity that is part of UBS Grupo Financiero, S.A. de C.V. and is an affiliate of UBS AG. This document is intended for distribution to institutional or sophisticated investors only. Research reports only reflect the views of the analysts responsible for the reports. Analysts do not receive any compensation from persons or entities different from UBS Casa de Bolsa, S.A. de C.V., UBS Grupo Financiero, or different from entities belonging to the same financial group or business group of such. For Spanish translations of applicable disclosures, please see www.ubs.com/disclosures.

Brazil: Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities.

Hong Kong: Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch.

Singapore: Distributed by UBS Securities Pte. Ltd. [MCI (P) 018/09/2015 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289).

Japan: Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant.

Australia: Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg.

New Zealand: Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor.

Korea: Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch.

Malaysia: This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients.

India: Distributed by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and Research Analyst services bearing SEBI Registration Number: INH000001204. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. The subject company/companies may have been a client/clients of UBS AG, its affiliates or subsidiaries during the 12 months preceding the date of distribution of the research report with respect to investment banking and/or non-investment banking securities-related services and/or non-securities services. With regard to information on associates, please refer to the Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2016. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

