



Q4 & Full Year 2022 Earnings Presentation

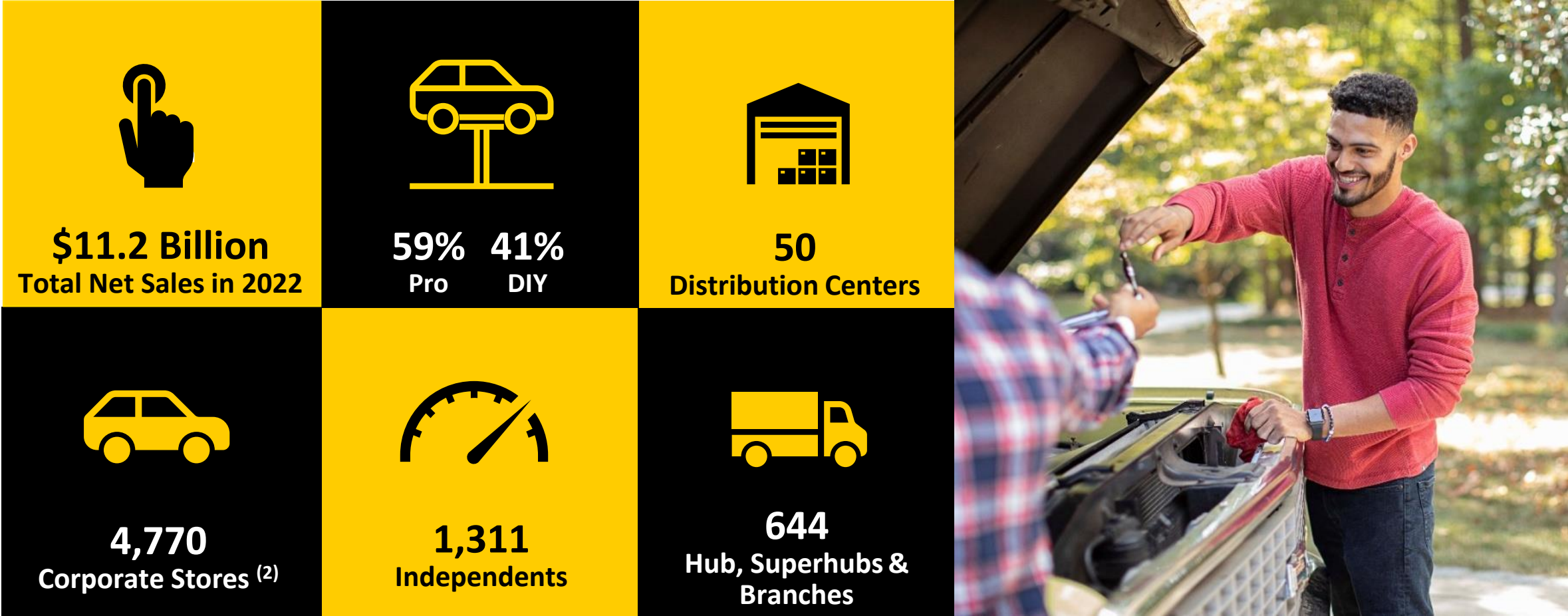
February 28, 2023



Forward Looking Statement

Certain statements herein are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are usually identifiable by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "likely," "may," "plan," "position," "possible," "potential," "probable," "project," "should," "strategy," "will," or similar language. All statements other than statements of historical fact are forward-looking statements, including, but not limited to, statements about the company's strategic initiatives, operational plans and objectives, expectations for economic conditions and recovery and future business and financial performance, as well as statements regarding underlying assumptions related thereto. Forward-looking statements reflect the company's views based on historical results, current information and assumptions related to future developments. Except as may be required by law, the company undertakes no obligation to update any forward-looking statements made herein. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements. They include, among others, factors related to the company's leadership transition, the timing and implementation of strategic initiatives, including with respect to labor shortages or disruptions and the impact on our ability to complete store openings, the highly competitive nature of the company's industry, demand for the company's products and services, complexities in its inventory and supply chain, and challenges with transforming and growing our business. Please refer to "Item 1A. Risk Factors." of the company's most recent Annual Report on Form 10-K, as updated by its Quarterly Report on Form 10-Q and other filings made by the company with the Securities and Exchange Commission, for a description of these and other risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements.

Advance Auto Parts Today ⁽¹⁾



⁽¹⁾ As of December 31, 2022

⁽²⁾ Total corporate stores includes 328 Hubs and Superhubs

Fourth Quarter 2022 Results

	Q4 2022	Q4 2021
Total Net Sales (in billions)	\$2.5	\$2.4
Comparable Store Sales ⁽¹⁾	2.1%	8.2%
Operating Income Margin	5.3%	4.7%
Adjusted Operating Income Margin ⁽²⁾	8.8%	7.4%
Diluted Earnings Per Share	\$1.79	\$1.30
Adjusted Diluted Earnings Per Share ⁽²⁾	\$2.88	\$2.07

⁽¹⁾ Comparable store sales include locations open for 13 complete accounting periods and excludes sales to independently owned Carquest locations.

⁽²⁾ For a better understanding of the company's adjusted results, refer to the reconciliation of non-GAAP adjustments in the accompanying financial tables included on the company's most recent Annual Report on Form 10-K and included herein.




Full Year 2022 Results

	FY 2022	FY 2021
Total Net Sales (in billions)	\$11.2	\$11.0
Comparable Store Sales ⁽¹⁾	0.3%	10.7%
Operating Income Margin	6.4%	7.6%
Adjusted Operating Income Margin ⁽²⁾	9.8%	9.6%
Diluted Earnings Per Share	\$8.27	\$9.55
Adjusted Diluted Earnings Per Share ⁽²⁾	\$13.04	\$12.02
Operating Cash Flow (in millions)	\$722	\$1,112
Free Cash Flow ⁽²⁾ (in millions)	\$298	\$823

⁽¹⁾ Comparable store sales include locations open for 13 complete accounting periods and excludes sales to independently owned Carquest locations.

⁽²⁾ For a better understanding of the company's adjusted results, refer to the reconciliation of non-GAAP adjustments in the accompanying financial statement footnotes included on the company's most recent Annual Report on Form 10-K and included herein.





2023 Outlook

(\$ in millions, except per share data)

	<u>Low</u>	<u>High</u>
Net sales	\$ 11,400	\$ 11,600
Comparable store sales ⁽¹⁾	1.0%	3.0%
Operating income margin	7.8%	8.2%
Income tax rate	24.0%	25.0%
Diluted EPS	\$ 10.20	\$ 11.20
Capital expenditures	\$ 300	\$ 350
Free cash flow ⁽²⁾	Minimum \$400	
New store and branch openings	60	80

(1) Comparable store sales include locations open for 13 complete accounting periods and excludes sales to independently owned Carquest locations.

(2) Free cash flow is a non-GAAP measure. For a better understanding of the company's adjusted results, refer to the reconciliation of non-GAAP adjustments in the accompanying financial tables included on the company's most recent Annual Report on Form 10-K and included herein. Because of the forward-looking nature of the 2023 non-GAAP financial measures, specific quantification of the amounts that would be required to reconcile these non-GAAP financial measures to their most directly comparable GAAP financial measures are not available at this time without unreasonable efforts.

Historical GAAP to Non-GAAP Comparison

Now that AAP's integration initiatives are largely completed, the company is shifting to providing GAAP metrics for the purposes of annual guidance in 2023

- Transformation Costs are getting smaller, reducing the need for non-GAAP adjustments
- Shifting to GAAP improves comparability with primary competitors

Presented for illustrative purposes below is a table that provides a comparison between the company's historical GAAP results and the adjusted figures previously incorporated into the company's outlook.

	2017	2018	2019	2020 ⁽¹⁾	2021	2022
GAAP Operating Income	\$ 570,212	604,275	677,180	749,907	838,717	714,151
GAAP Operating Income Margin	6.1%	6.3%	7.0%	7.4%	7.6%	6.4%
GAAP Diluted EPS ⁽²⁾	\$ 4.48	5.65	6.84	7.14	9.55	8.27
Adjustments						
LIFO	\$ 2,716	(39,808)	101,327	(13,817)	122,303	311,766
Transformation	\$ 116,109	145,885	117,813	77,345	90,397	67,061
Adjusted Operating Income	\$ 689,037	710,352	896,320	813,435	1,051,417	1,092,979
Adjusted Operating Income Margin	7.4%	7.4%	9.2%	8.0%	9.6%	9.8%
Adjusted Diluted EPS ⁽²⁾	\$ 5.40	6.73	9.26	8.36	12.02	13.04
					5 Year Growth	5 Year CAGR
GAAP Diluted EPS					84.6%	13.0%
Adj. GAAP Diluted EPS					141.5%	19.3%

⁽¹⁾ Full Year 2020 included 53 weeks

⁽²⁾ 2017 and 2018 GAAP Diluted EPS and Adjusted Diluted EPS exclude the impact of the Tax Act



APPENDIX



Reconciliation of Adjusted Net Income and Adjusted EPS

	Fifty-Two Weeks Ended	Fifty-Two Weeks Ended	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended	Fifty-Two Weeks Ended	Fifty-Two Weeks Ended
(in thousands, except per share data)	December 31, 2022	January 1, 2022	January 2, 2021	December 28, 2019	December 29, 2018	December 30, 2017
Net income (GAAP)	\$ 501,872	\$ 616,108	\$ 493,021	\$ 486,896	\$ 423,847	\$ 475,505
Cost of sales adjustments:						
LIFO impacts ⁽¹⁾	311,766	122,303	(13,817)	101,327	(39,808)	2,716
Transformation expenses:	—	—	—	3,345	6,740	—
Other significant costs	2,572	2,608	3,161	13,010	—	—
SG&A adjustments:						
GPI integration and store closure and consolidation expenses	—	—	—	—	7,360	26,207
GPI amortization of acquired intangible assets	27,407	27,587	27,337	27,500	38,018	39,477
Transformation expenses:	—	—	—	73,958	93,767	50,425
Restructuring costs	4,657	27,307	16,765	—	—	—
Third-party professional services	27,074	24,099	14,117	—	—	—
Other significant costs	5,351	8,796	15,965	—	—	—
Other income adjustment ⁽²⁾	7,408	—	48,022	10,756	—	(8,878)
Provision for income taxes on adjustments ⁽³⁾	(96,559)	(53,175)	(27,888)	(32,142)	(36,274)	(40,748)
Impact of the Act	—	—	—	—	(5,665)	(143,756)
Adjusted net income (Non-GAAP)	\$ 791,548	\$ 775,633	\$ 576,683	\$ 684,650	\$ 487,985	\$ 400,948
Diluted earnings per share (GAAP as reported)	\$ 8.27	\$ 9.55	\$ 7.14	\$ 6.84	\$ 5.73	\$ 6.42
Tax Act impact on diluted earnings per share	0.00	0.00	0.00	0.00	(0.08)	(1.94)
Diluted earnings per share (GAAP, excluding Tax Act)	\$ 8.27	\$ 9.55	\$ 7.14	\$ 6.84	\$ 5.65	\$ 4.48
Adjustments, net of tax	4.77	2.47	1.22	2.42	1.08	0.92
Adjusted diluted earnings per share (Non-GAAP)	\$ 13.04	\$ 12.02	\$ 8.36	\$ 9.26	\$ 6.73	\$ 5.40

⁽¹⁾ 2017 – 2020 have been recast to include LIFO as a non-GAAP adjustment to be comparable with 2021 – 2022 presentation.

⁽²⁾ In 2022, the company incurred charges relating to a make-whole provision and tender premiums of \$7.0 million and debt issuance costs of \$0.4 million resulting from the early redemption of the company's 2023 senior unsecured notes. In 2020, the company incurred charges relating to a make-whole provision or tender premiums and debt issuance costs of \$46.3 million and \$1.7 million resulting from the early redemption of the company's 2022 and 2023 senior unsecured notes. In 2019, the company incurred charges relating to a make-whole provision and debt issuance costs of \$10.1 million and \$0.7 million resulting from the early redemption of the company's 2020 senior unsecured notes.

⁽³⁾ The income tax impact of non-GAAP adjustments is calculated using the estimated tax rate in effect for the respective non-GAAP adjustments.

Reconciliation of Adjusted Operating Income

	Fifty-Two Weeks Ended	Fifty-Two Weeks Ended	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended	Fifty-Two Weeks Ended	Fifty-Two Weeks Ended
<i>(in thousands)</i>	December 31, 2022	January 1, 2022	January 2, 2021	December 28, 2019	December 29, 2018	December 30, 2017
Operating income (GAAP)	\$ 714,151	\$ 838,717	\$ 749,907	\$ 677,180	\$ 604,275	\$ 570,212
Cost of sales and SG&A adjustments	378,827	212,700	63,528	219,140	106,077	118,825
Adjusted operating income (Non-GAAP)	\$ 1,092,978	\$ 1,051,417	\$ 813,435	\$ 896,320	\$ 710,352	\$ 689,037

NOTE: Adjusted operating income is a non-GAAP measures. Management believes non-GAAP measures are important metrics in assessing the overall performance of the business and utilizes these metrics in its ongoing reporting. On that basis, management believes it is useful to provide these metrics to investors and prospective investors to evaluate the company's operating performance across periods adjusting for these items (refer to the reconciliations of non-GAAP adjustments above). These non-GAAP measures might not be calculated in the same manner as, and thus might not be comparable to, similarly titled measures reported by other companies. Non-GAAP measures should not be used by investors or third parties as the sole basis for formulating investment decisions, as they may exclude a number of important cash and non-cash recurring items.