

ADVANCE AUTO PARTS INC
Form 10-Q
November 15, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 6, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 001-16797

ADVANCE AUTO PARTS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

54-2049910
(I.R.S. Employer
Identification No.)

5008 Airport Road, Roanoke, Virginia 24012
(Address of Principal Executive Offices)
(Zip Code)

(540) 362-4911
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report).

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Edgar Filing: ADVANCE AUTO PARTS INC - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 12, 2007, the registrant had outstanding 100,149,491 shares of Common Stock, par value \$0.0001 per share (the only class of common stock of the registrant outstanding).

PART I. FINANCIAL INFORMATIONItem 1. Condensed Consolidated Financial Statements of Advance Auto Parts, Inc. and Subsidiaries (unaudited):

<u>Condensed Consolidated Balance Sheets as of October 6, 2007 and December 30, 2006</u>	1
--	---

<u>Condensed Consolidated Statements of Operations for the Twelve and Forty-Week Periods Ended October 6, 2007 and October 7, 2006</u>	2
--	---

<u>Condensed Consolidated Statements of Cash Flows for the Forty-Week Periods Ended October 6, 2007 and October 7, 2006</u>	3
---	---

<u>Notes to the Condensed Consolidated Financial Statements</u>	5
---	---

<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
----------------	--	----

<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
----------------	---	----

<u>Item 4.</u>	<u>Controls and Procedures</u>	28
----------------	--------------------------------	----

PART II. OTHER INFORMATION

<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
----------------	--	----

<u>Item 6.</u>	<u>Exhibits</u>	29
----------------	-----------------	----

<u>SIGNATURE</u>	S-1
------------------	-----

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
ADVANCE AUTO PARTS, INC. AND SUBSIDIARIES

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
October 6, 2007 and December 30, 2006
(in thousands, except per share data)
(unaudited)

<u>Assets</u>	October 6, 2007	December 30, 2006
Current assets:		
Cash and cash equivalents	\$ 14,836	\$ 11,128
Receivables, net	76,982	97,046
Inventories, net	1,540,666	1,463,340
Other current assets	43,805	40,459
Total current assets	1,676,289	1,611,973
Property and equipment, net of accumulated depreciation of \$736,489 and \$670,571	1,016,712	994,977
Assets held for sale	2,390	1,548
Goodwill	33,718	33,718
Intangible assets, net	27,095	27,926
Other assets, net	10,362	12,539
	\$ 2,766,566	\$ 2,682,681
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Bank overdrafts	\$ 349	\$ 34,206
Current portion of long-term debt	661	67
Financed vendor accounts payable	153,324	127,543
Accounts payable	708,095	651,587
Accrued expenses	304,810	252,975
Other current liabilities	40,121	47,042
Total current liabilities	1,207,360	1,113,420
Long-term debt	433,774	477,173
Other long-term liabilities	60,042	61,234
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, nonvoting, \$0.0001 par value, 10,000 shares authorized; no shares issued or outstanding	-	-
Common stock, voting, \$0.0001 par value, 200,000 shares authorized; 100,927 shares issued and outstanding in 2007 and 105,351 issued and outstanding in 2006	10	11
Additional paid-in capital	267,396	414,153
Accumulated other comprehensive income	2,308	3,472
Retained earnings	795,676	613,218
Total stockholders' equity	1,065,390	1,030,854
	\$ 2,766,566	\$ 2,682,681

The accompanying notes to the condensed consolidated financial statements
are an integral part of these statements.

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Twelve and Forty Week Periods Ended
October 6, 2007 and October 7, 2006
(in thousands, except per share data)
(unaudited)

	Twelve Week Periods Ended		Forty Week Periods Ended	
	October 6, 2007	October 7, 2006	October 6, 2007	October 7, 2006
Net sales	\$ 1,158,043	\$ 1,099,486	\$ 3,796,022	\$ 3,600,353
Cost of sales , including purchasing and warehousing costs	602,930	569,280	1,968,645	1,877,620
Gross profit	555,113	530,206	1,827,377	1,722,733
Selling, general and administrative expenses	454,734	427,685	1,474,495	1,383,468
Operating income	100,379	102,521	352,882	339,265
Other, net:				
Interest expense	(7,968)	(9,232)	(26,634)	(28,147)
Gain on extinguishment of debt, net	-	986	-	986
Other income, net	353	154	1,203	753
Total other, net	(7,615)	(8,092)	(25,431)	(26,408)
Income before provision for income taxes	92,764	94,429	327,451	312,857
Provision for income taxes	33,724	35,482	123,886	116,893
Net income	\$ 59,040	\$ 58,947	\$ 203,565	\$ 195,964
Basic earnings per share	\$ 0.58	\$ 0.56	\$ 1.94	\$ 1.84
Diluted earnings per share	\$ 0.57	\$ 0.56	\$ 1.92	\$ 1.82
Average common shares outstanding	102,546	105,112	104,987	106,380
Dilutive effect of share-based compensation	635	939	866	1,175
Average common shares outstanding - assuming dilution	103,181	106,051	105,853	107,555

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Forty Week Periods Ended
October 6, 2007 and October 7, 2006
(in thousands)
(unaudited)

	Forty Week Periods Ended	
	October 6, 2007	October 7, 2006
Cash flows from operating activities:		
Net income	\$ 203,565	\$ 195,964
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	113,404	104,156
Amortization of deferred debt issuance costs	173	482
Share-based compensation	14,318	14,473
Loss on disposal of property and equipment, net	9,074	1,520
Benefit for deferred income taxes	(21,141)	(2,332)
Excess tax benefit from share-based compensation	(11,133)	(4,398)
Loss on extinguishment of debt	-	1,887
Net decrease (increase) in:		
Receivables, net	14,317	10,995
Inventories, net	(77,326)	(90,966)
Other assets	(985)	9,031
Net increase (decrease) in:		
Accounts payable	56,508	40,472
Accrued expenses	71,708	17,056
Other liabilities	5,296	(1,337)
Net cash provided by operating activities	377,778	297,003
Cash flows from investing activities:		
Purchases of property and equipment	(146,520)	(200,784)
Insurance proceeds related to damaged property	6,636	-
Business acquisitions, net of cash acquired	-	(12,500)
Proceeds from sales of property and equipment	1,761	8,726
Net cash used in investing activities	(138,123)	(204,558)
Cash flows from financing activities:		
Decrease in bank overdrafts	(33,857)	(13,481)
Increase in financed vendor accounts payable	25,781	21,385
Early extinguishment of debt	-	(433,775)
Dividends paid	(25,152)	