

ADVANCE AUTO PARTS INC  
Form S-3  
November 01, 2002  
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As filed with the Securities and Exchange Commission on November 1, 2002

Registration No. 333-

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM S-3**  
**REGISTRATION STATEMENT**  
UNDER  
THE SECURITIES ACT OF 1933

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**ADVANCE AUTO PARTS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**5531**  
(Primary Standard Industrial Classification  
Code Number)

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

**5673 Airport Road, NW**  
**Roanoke, Virginia 24012**  
**(540) 362-4911**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**JIMMIE L. WADE**  
**President and Chief Financial Officer**  
**5673 Airport Road, NW**  
**Roanoke, Virginia 24012**  
**(540) 362-4911**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

## Edgar Filing: ADVANCE AUTO PARTS INC - Form S-3

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. " \_\_\_\_\_

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. " \_\_\_\_\_

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration fee
Common Stock, \$.0001 par value	9,442,331	\$53.18	\$502,143,163	\$46,198

- (1) Includes 858,394 shares in the aggregate that the underwriters have the option to purchase from the selling stockholders to cover over-allotments, if any.
- (2) Calculated pursuant to Rule 457(c) for purposes of calculating the registration fee.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we and the selling stockholders are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 1, 2002

**8,583,937 Shares**

**Common Stock**

The shares of common stock are being sold by the selling stockholders. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

Our common stock is listed on The New York Stock Exchange under the symbol AAP. The last reported sale price on October 31, 2002 was \$53.55 per share.

The underwriters have an option to purchase a maximum of 858,394 additional shares from us and one of the selling stockholders to cover over-allotments of shares.

**Investing in our common stock involves risks. See Risk Factors on page 7.**

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholders
Per Share	\$	\$	\$
Total	\$	\$	\$

Delivery of the shares of common stock will be made on or about \_\_\_\_\_, 2002.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

*Joint Book-Running Managers*

**Credit Suisse First Boston**

**Morgan Stanley**

**Lehman Brothers**

**Merrill Lynch & Co.**

The date of this prospectus is \_\_\_\_\_, 2002.

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You should rely only on the information contained in, or incorporated by reference into, this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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**PROSPECTUS SUMMARY**

*You should read this summary together with the more detailed information regarding us and the common stock being sold in this offering and the consolidated financial statements and the related notes appearing elsewhere in, or incorporated by reference into, this prospectus. This prospectus includes the specific terms of the common stock being offered, as well as information regarding our business, certain recent transactions entered into by us and risk factors. Because this is only a summary, it may not contain all of the information important to you or that you should consider before deciding to invest in our common stock. Therefore, we urge you to read this prospectus and the documents incorporated by reference into this prospectus in their entirety.*

*Unless the context otherwise requires, Advance, we, us, our and similar terms refer to Advance Auto Parts, Inc., its predecessor, its subsidiaries (including Discount Auto Parts, Inc., which we acquired on November 28, 2001) and their respective operations. Our fiscal year consists of 52 or 53 weeks ending on the Saturday closest to December 31 of each year.*

**Our Business**

We are the second largest specialty retailer of automotive parts, accessories and maintenance items primarily to do-it-yourself, or DIY, customers in the United States, based on store count and sales. We are the largest specialty retailer of automotive products in the majority of the states in which we currently operate, based on store count. At July 13, 2002, we had 2,367 stores, which included 1,869 stores operating under the Advance Auto Parts tradename in 37 states in the Northeastern, Southeastern and Midwestern regions of the United States, and 458 stores operating under the Discount Auto Parts tradename in the Southeastern region of the United States. In addition, as of that date, we had 40 stores operating under the Western Auto tradename located primarily in Puerto Rico and the Virgin Islands. Our stores offer a broad selection of brand name and private label automotive products for domestic and imported cars and light trucks. In addition to our DIY business, we serve do-it-for-me, or DIFM, customers via sales to commercial accounts. Sales to DIFM customers represented approximately 15% of our retail sales for the twenty-eight weeks ended July 13, 2002.

Since 1997, we have achieved significant growth through a combination of comparable store sales growth, new store openings, increased penetration of our commercial delivery program and strategic acquisitions. We believe that our sales growth has exceeded the automotive aftermarket industry average as a result of our industry leading selection of quality brand name and private label products, our strong name recognition and our high levels of customer service. From 1997 through 2001, we:

increased our store count at year-end from 814 to 2,484;

achieved positive comparable store sales growth in every quarter, averaging 6.9% annually;

increased our net sales at a compound annual growth rate of 38.8%, from \$848.1 million to \$3.1 billion (pro forma for the Discount acquisition); and

increased our EBITDA, as adjusted, at a compound annual growth rate of 39.9%, from \$68.4 million to \$261.9 million (pro forma for the Discount acquisition).

During the twelve months ended July 13, 2002, our comparable store sales growth was 6.4%, not including Discount. EBITDA, as adjusted, for this period was \$294.5 million (pro forma for the Discount acquisition).

We operate within the large and growing automotive aftermarket industry, which includes replacement parts, accessories, maintenance items, batteries and automotive fluids for cars and light trucks. Between 1991 and 2001, this industry grew at a compound annual growth rate of 5.9%, from approximately \$58 billion to

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\$103 billion. We believe the automotive aftermarket industry benefits from several important trends, including the: (1) increasing number and age of vehicles in the United States; (2) increasing number of miles driven annually; (3) increasing number of cars coming off of warranty, particularly leased vehicles; (4) increasing number of light trucks and sport utility vehicles that require more expensive parts, resulting in higher average sales per customer; (5) consolidation of automotive aftermarket retailers, resulting in a reduction in the number of stores in the marketplace; and (6) continued market share expansion of specialty automotive parts retailers, like us, primarily by taking market share from discount stores and mass merchandisers. We believe these trends will continue to support strong comparable store sales growth in the industry.

### **Competitive Strengths**

We believe our competitive strengths include the following:

**Leading Market Position.** We enjoy significant advantages over most of our competitors. We believe we have strong brand recognition and customer traffic in our stores as a result of our number one position in the majority of our markets, based on store count, and our significant marketing activities. In addition, we have purchasing, distribution and marketing efficiencies due to our economies of scale. In particular, the Discount acquisition has provided us with the leading market position in Florida, which is especially attractive due to that state's strong DIY customer demographics.

**Industry Leading Selection of Quality Products.** We offer one of the largest selections of brand name and private label automotive parts, accessories and maintenance items in the automotive aftermarket industry. Our stores carry between 16,000 and 21,000 in-store stock keeping units, or SKUs. We also offer approximately 105,000 additional SKUs that are available on a same-day or overnight basis through our Parts Delivered Quickly, or PDQ<sup>®</sup>, distribution systems, including harder-to-find replacement parts, which typically carry a higher gross margin. We believe that our ability to deliver an aggregate of approximately 120,000 SKUs, as well as the capabilities provided by our electronic parts catalog, are highly valued by our customers and differentiate us from our competitors, particularly mass merchandisers.

**Superior Customer Service.** We believe that our customers place significant value on our well-trained sales associates, who offer knowledgeable assistance in product selection and installation. We invest substantial resources in the recruiting and training of our employees, which we believe differentiates us from mass merchandisers and has led to higher employee retention levels, increased customer satisfaction and higher sales.

**Experienced Management Team with Proven Track Record.** The 17 members of our senior management team have an average of 11 years experience with us and 20 years in the industry and have successfully grown our company to the second largest specialty retailer of automotive products in the United States. Our management team has accomplished this using a disciplined strategy of growing comparable store sales, opening new stores, increasing the penetration of our commercial delivery program and making selective acquisitions. Through our acquisitions, including the 671-store acquisition of Discount in November 2001 and the 545-store acquisition of Western Auto Supply Company in November 1998, our team has demonstrated its ability to efficiently and successfully integrate both large and small acquisitions.

### **Growth Strategy**

Our growth strategy consists of the following:

**Increase Our Comparable Store Sales.** We have been an industry leader in comparable store sales growth over the last five years, averaging 6.9% annually. We plan to increase our comparable store sales in both the DIY and DIFM categories by, among other things, (1) implementing merchandising and marketing initiatives, (2) investing in store-level systems to enhance our ability to recommend complementary products in order to

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increase sales per customer, (3) refining our store selection and in-stock availability through customized assortments and other supply chain initiatives, (4) continuing to increase customer service through store staffing and retention initiatives and (5) increasing our commercial delivery sales primarily by focusing on key customers to grow average sales per program.

***Continue to Enhance Our Margins.*** We have improved our EBITDA, as adjusted, margin by 370 basis points from 5.5% in 1999 to 9.2% for the twelve months ended July 13, 2002 (pro forma for the Discount acquisition). In addition to driving operating margin expansion via continued strong comparable store sales growth, we will continue to focus on increasing margins by: (1) improving our purchasing efficiencies with vendors; (2) utilizing our supply chain infrastructure and existing distribution network to optimize our inventory mix and maximize distribution capacity; and (3) leveraging our overall scale to reduce other operating expenses as a percentage of sales.

***Increase Return on Capital.*** We believe we can successfully increase our return on capital by generating strong comparable store sales growth and increasing our margins. We believe we can also increase our return on capital by leveraging our supply chain initiatives to increase inventory turns and selectively expanding our store base in existing markets. Based on our experience, such in-market openings provide higher returns on our invested capital by enabling us to leverage our distribution infrastructure, marketing expenditures and local management resources. We intend to add approximately 110 stores in existing markets in 2002 through new store openings and from our Trak Auto Parts acquisition.

***Continue to Successfully Integrate Discount.*** Our management team continues to successfully execute its integration plan for Discount. To date, we have completed the conversion of all of the Discount stores located outside of the Florida market (including the Florida panhandle) to the Advance Auto Parts store name, format, information systems and merchandise offerings. In addition, for the Discount stores located in the Florida market, we have completed remerchandising and continue to implement the Advance information systems in these stores, which we expect to complete in 2003. We will also continue to complete the format and signage conversions for the Florida stores over the next two to three years.

## **General**

In connection with completing the offering contemplated by this prospectus, Deloitte & Touche LLP, our independent public accountants, will perform an audit of our consolidated financial and other data at October 5, 2002 and for the 40 weeks ended October 5, 2002. We intend to include these consolidated financial statements in this prospectus upon completion of the audit.

Our principal executive offices are located at 5673 Airport Road, Roanoke, Virginia 24012, and our telephone number is (540) 362-4911. Our website is located at [www.advanceautoparts.com](http://www.advanceautoparts.com). Information contained on our website is not a part of this prospectus.

All brand names and trademarks appearing in this prospectus, including Advance, are the property of their respective holders.



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**THE OFFERING**

Common stock offered by the selling stockholders	8,583,937 shares
Common stock to be outstanding after this offering	35,689,355 shares
Use of proceeds	We will not receive any of the proceeds from the shares sold in the offering by the selling stockholders, including the shares sold in the over-allotment option by one of the selling stockholders.  We intend to use the net proceeds we receive from the sale of our shares in the over-allotment option, if any, to repay outstanding indebtedness.
NYSE Symbol	AAP

Unless otherwise indicated, all share information in this prospectus is based on 35,689,355 shares of our common stock outstanding as of October 18, 2002 and excludes 3,297,748 shares subject to options at a weighted average exercise price of \$24.79 per share.

Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' over-allotment option.

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

The following table is a summary of our consolidated financial and other data for the periods presented, as well as our pro forma financial data, after giving effect to the Discount acquisition and related financing transactions. The summary consolidated financial and other data for the three years ended December 29, 2001 have been derived from our audited consolidated financial statements and the related notes included elsewhere in this prospectus. The summary consolidated financial and other data at July 14, 2001 and July 13, 2002 and for the twenty-eight weeks ended July 14, 2001 and July 13, 2002 have been derived from our unaudited consolidated financial statements and the related notes incorporated by reference into this prospectus. The results of operations for the twenty-eight weeks ended July 13, 2002 are not necessarily indicative of the results of operations to be expected for the full year. You should read this data along with the sections of this prospectus titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Unaudited Pro Forma Consolidated Financial and Other Data" and the consolidated financial statements and related notes of Advance and Discount included elsewhere in, or incorporated by reference into, this prospectus. The unaudited pro forma consolidated statement of operations data does not purport to represent what our results of operations would have been if the transactions had occurred as of the date indicated or what the results will be for future periods. The results include the activities of the following acquired businesses since their respective dates of acquisition, Discount Auto Parts, Inc. (November 2001), Carport Auto Parts, Inc. (April 2001) and Western Auto Supply Company (November 1998).

	Fiscal Year(1)				Twenty-Eight Weeks Ended	
	1999	2000	2001	Pro Forma 2001	July 14, 2001	July 13, 2002
	(unaudited)				(unaudited)	
	(in thousands, except per share and selected store data)					
<b>Statement of Operations Data:</b>						
Net sales	\$ 2,206,945	\$ 2,288,022	\$ 2,517,639	\$ 3,144,693	\$ 1,336,837	\$ 1,796,804
Gross profit(2)	802,832	895,895	1,076,026	1,323,106	568,678	785,522
Selling, general and administrative expenses(3)	740,481	801,521	947,531	1,153,180	503,466	661,724
Operating income(3)	20,235	92,789	89,113	130,544	62,270	105,604
Interest expense	62,792	66,640	61,895	97,849	33,074	46,718
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle(3)(4)	(25,326)	16,626	17,189	26,013	17,997	36,436
Net income (loss)(3)	(25,326)	19,559	11,442		17,997	28,037
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle per basic share(4)	\$ (0.90)	\$ 0.59	\$ 0.60	\$ 0.80	\$ 0.64	\$ 1.06
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle per diluted share(4)	\$ (0.90)	\$ 0.58	\$ 0.59	\$ 0.78	\$ 0.63	\$ 1.02
Net income (loss) per basic share	\$ (0.90)	\$ 0.69	\$ 0.40		\$ 0.64	\$ 0.81
Net income (loss) per diluted share	\$ (0.90)	\$ 0.68	\$ 0.39		\$ 0.63	\$ 0.79
Weighted average basic shares outstanding	28,269	28,296	28,637	32,611	28,285	34,498
Weighted average diluted shares outstanding	28,269	28,611	29,158	33,159	28,760	35,710
<b>Other Financial Data:</b>						
EBITDA, as adjusted(5)	\$ 121,899	\$ 161,876	\$ 199,710	\$ 261,966	\$ 101,534	\$ 173,448
Capital expenditures(6)	105,017	70,566	63,695	85,991	31,048	46,638
<b>Cash flows provided by (used in):</b>						
Operating activities	\$ (20,976)	\$ 103,951	\$ 103,536		\$ 102,616	\$ 181,904
Investing activities	(113,824)	(64,940)	(451,008)		(51,139)	(37,228)
Financing activities	121,262	(43,579)	347,580		(49,866)	(123,249)
<b>Selected Store Data:</b>						
Comparable store sales growth(7)	10.3 %	4.4 %	6.2 %		6.2 %	