

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 29, 2018

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.)

**2635 East Millbrook Road
Raleigh, North Carolina**
(Address of principal executive offices)

27604
(Zip Code)

(540) 362-4911

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act

**Title of each class
Common Stock (\$0.0001 par value)**

**Name of each exchange on which registered
New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Registration S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Registration S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 the last business day of the registrant's most recently completed second fiscal quarter, July 13, 2018, the aggregate market value of common stock held by non-affiliates of the registrant was \$9,863,346,448, based on the last sales price on July 13, 2018, as reported by the New York Stock Exchange.

As of February 15, 2019, the number of shares of the registrant's common stock outstanding was 71,670,134 shares.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for its 2019 Annual Meeting of Stockholders, to be held on May 15, 2019, are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Forward-looking statements are usually identified by the use of words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “plan,” “position,” “possible,” “potential,” “probable,” “project,” “projection,” “should,” “strategy,” “will,” or similar expressions. These statements are based upon assessments and assumptions of management in light of historical results and trends, current conditions and potential future developments that often involve judgment, estimates, assumptions and projections. Forward-looking statements reflect current views about our plans, strategies and prospects, which are based on information currently available as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Please refer to other filings made by the Company with the Securities and Exchange Commission for additional risk factors that could materially affect the Company’s actual results. Forward-looking statements are subject to risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements. Therefore, you should not place undue reliance on those statements.

PART I

Item 1. Business.

Unless the context otherwise requires, “Advance,” “we,” “us,” “our,” and similar terms refer to Advance Auto Parts, Inc., its subsidiaries and their respective operations on a consolidated basis. Our fiscal year consists of 52 or 53 weeks ending on the Saturday closest to December 31st of each year. Our fiscal year ended December 29, 2018 (“2018”), fiscal year ended December 30, 2017 (“2017”) and fiscal year ended December 31, 2016 (“2016”) included 52 weeks of operations.

Overview

We are a leading automotive aftermarket parts provider in North America, serving both professional installers (“Professional”), and “do-it-yourself” (“DIY”), customers as well as independently owned operators. Our stores and branches offer a broad selection of brand name, original equipment manufacturer (“OEM”) and private label automotive replacement parts, accessories, batteries and maintenance items for domestic and imported cars, vans, sport utility vehicles and light and heavy duty trucks. As of December 29, 2018, we operated 4,966 total stores and 143 branches primarily under the trade names “Advance Auto Parts”, “Autopart International”, “Carquest” and “Worldpac”.

We were founded in 1929 as Advance Stores Company, Incorporated and operated as a retailer of general merchandise until the 1980s. During the 1980s, we began targeting the sale of automotive parts and accessories to DIY customers. We initiated our Professional delivery program in 1996 and have steadily increased our sales to Professional customers since 2000. We have grown significantly as a result of comparable store sales growth, new store openings and strategic acquisitions. Advance Auto Parts, Inc., a Delaware corporation, was incorporated in 2001 in conjunction with the acquisition of Discount Auto Parts, Inc. In 2014, we acquired General Parts International, Inc. (“GPI”), a privately held company that was a leading distributor and supplier of original equipment and aftermarket automotive replacement products for Professional markets operating under the Carquest and Worldpac names.

Stores and Branches

Through our integrated operating approach, we serve our Professional and DIY customers through a variety of channels ranging from traditional “brick and mortar” store locations to self-service e-commerce sites. We believe we are better able to meet our customers’ needs by operating under several store names, which are as follows:

Advance Auto Parts — Our 4,380 stores as of December 29, 2018 are generally located in freestanding buildings with a focus on both Professional and DIY customers. The average size of an Advance Auto Parts store is approximately 7,600 square feet with the size of our typical new stores ranging from approximately 6,600 to 22,900 square feet. These stores carry a wide variety of products serving aftermarket auto part needs for both domestic and import vehicles. Our Advance Auto Parts stores carry a product offering of approximately 21,000 stock keeping units (“SKUs”), generally consisting of a custom mix of product based on each store’s respective market. Supplementing the inventory on-hand at our stores, additional less common SKUs are available in many of our larger stores (known as “HUB” stores). These additional SKUs are available on a same-day or next-day basis.

Autopart International — Our 185 stores as of December 29, 2018 operate primarily in the Northeastern and Mid-Atlantic regions of the United States with a focus on Professional customers. These stores specialize in imported aftermarket and private label branded auto parts. Autopart International stores offer approximately 54,000 SKUs through routine replenishment from their supply chain.

Carquest — Our 401 stores as of December 29, 2018, including 140 stores in Canada, are generally located in freestanding buildings with a primary focus on Professional customers, but also serving DIY customers. The average size of a Carquest store is approximately 7,300 square feet. These stores carry a wide variety of products serving the aftermarket auto part needs for both domestic and import vehicles with a product offering of approximately 21,000 SKUs. As of December 29, 2018, Carquest also served 1,231 independently owned stores that operate under the “Carquest” name.

Worldpac — Our 143 branches as of December 29, 2018 that principally serve Professional customers utilizing an efficient and sophisticated on-line ordering and fulfillment system. Worldpac branches are generally larger than our other store locations averaging approximately 26,400 square feet in size. Worldpac specializes in imported, OEM parts. Worldpac’s complete product offering includes over 165,000 SKUs for import and domestic vehicle carlines.

Our Products

The following table shows some of the types of products that we sell by major category of items:

Parts & Batteries	Accessories & Chemicals	Engine Maintenance
Batteries and battery accessories	Air conditioning chemicals and accessories	Air filters
Belts and hoses	Air fresheners	Fuel and oil additives
Brakes and brake pads	Antifreeze and washer fluid	Fuel filters
Chassis parts	Electrical wire and fuses	Grease and lubricants
Climate control parts	Electronics	Motor oil
Clutches and drive shafts	Floor mats, seat covers and interior accessories	Oil filters
Engines and engine parts	Hand and specialty tools	Part cleaners and treatments
Exhaust systems and parts	Lighting	Transmission fluid
Hub assemblies	Performance parts	
Ignition components and wire	Sealants, adhesives and compounds	
Radiators and cooling parts	Tire repair accessories	
Starters and alternators	Vent shades, mirrors and exterior accessories	
Steering and alignment parts	Washes, waxes and cleaning supplies	
	Wiper blades	

We provide our customers with quality products, that are offered at a good, better or best recommendation differentiated by price and quality.

Our Customers

Our Professional customers consist primarily of customers for whom we deliver product from our store or branch locations to their places of business, including garages, service stations and auto dealers. Our Professional sales represented approximately 58% of our sales in 2018, 2017 and 2016. We also serve 1,231 independently owned Carquest stores with shipments directly from our distribution centers. Our DIY customers are primarily served through our stores and can also order online to pick up merchandise at a conveniently located store or have their purchases shipped directly to them. Except where prohibited, we also provide a variety of services at our stores free of charge to our customers, including:

- Battery and wiper installation;
- Battery charging;
- Check engine light reading;
- Electrical system testing, including batteries, starters, alternators and sensors;
- “How-To” video clinics;
- Oil and battery recycling; and
- Loaner tool programs.

We also serve our customers online at www.AdvanceAutoParts.com. Our Professional customers can conveniently place their orders electronically, including through MyAdvance.com, by phone or in-store and we deliver product from our store or branch locations to their places of business.

Store Development

The key factors used in selecting sites and market locations in which we operate include population, demographics, traffic count, vehicle profile, number and strength of competitors’ stores and the cost of real estate. As of December 29, 2018, 4,948 stores and branches were located in 49 U.S. states and 2 U.S. territories and 161 stores and branches were located in 9 Canadian provinces.

We serve our Advance Auto Parts and Carquest stores primarily from our customer support centers in Raleigh, NC and Roanoke, VA. We also maintain a store support center in Newark, CA to support our Worldpac and e-commerce operations and in Norton, MA to support our Autopart International stores.

Supply Chain

Our supply chain consists of a network of distribution centers, HUBs, stores and branches that enable us to provide same-day or next-day availability to our customers. As of December 29, 2018, we operated 51 distribution centers, ranging in size from approximately 51,000 to 943,000 square feet with total square footage of approximately 11.5 million. Our smaller distribution centers primarily service our Carquest stores, including those that have converted to the Advance Auto Parts format, while our larger distribution centers primarily service Advance Auto Parts, Autopart International and Worldpac locations. In 2018, we closed distribution centers in Gallman, MS and San Antonio, TX.

Merchandise, Marketing and Advertising

In 2018, we purchased merchandise from over 1,100 vendors, with no single vendor accounting for more than 9% of purchases. Our purchasing strategy involves negotiating agreements to purchase merchandise over a specified period of time along with other provisions, including pricing, volume and payment terms.

Our merchandising strategy is to carry a broad selection of high quality and reputable brand name automotive parts and accessories that we believe will appeal to our Professional customers and also generate DIY customer traffic. Some of our brands include Bosch®, Castrol®, Dayco®, Denso®, Gates®, Moog®, Monroe®, NGK®, Prestone®, Purolator®, Trico® and Wagner®. In addition to these branded products, we stock a wide selection of high-quality private label products with a goal of appealing to value-conscious customers. These lines of merchandise include chemicals, interior automotive accessories, batteries and parts under various private label names such as Autocraft®, Autopart International®, Driveworks®, Tough One® and Weavever® as well as the Carquest® brand.

Our marketing and advertising program is designed to drive brand awareness, consideration by consumers and omni-channel traffic by positioning Advance Auto Parts as the leader in parts availability, in-store parts and project expertise within the aftermarket auto parts category. We strive to exceed our customers' expectations end-to-end through a comprehensive online and in-store pick up experience, extensive parts assortment, experienced parts professionals, Professional programs that are designed to build loyalty with our customers and our DIY customer loyalty program, Speed Perks. Our DIY campaign was developed around a multi-channel communications plan that brings together radio, television, direct marketing, social media, sponsorships, store events and Speed Perks.

Seasonality

Our business is somewhat seasonal in nature, with the highest sales usually occurring in the spring and summer months. In addition, our business can be affected by weather conditions. While unusually heavy precipitation tends to soften sales as elective maintenance is deferred during such periods, extremely hot or cold weather tends to enhance sales by causing automotive parts to fail at an accelerated rate. Our fourth quarter is generally our most volatile as weather and spending trade-offs typically influence our Professional and DIY sales.

Team Members

As of December 29, 2018, we employed approximately 40,000 full-time Team Members and approximately 31,000 part-time Team Members. Our workforce consisted of 85% of our Team Members employed in store-level operations, 11% employed in distribution and 4% employed in our corporate offices. As of December 29, 2018, less than 1% of our Team Members were represented by labor unions. We have never experienced any labor disruption.

Intellectual Property

We own a number of trade names, service marks and trademarks, including "Advance Auto Parts", "Autopart International", "Carquest", "CARQUEST Technical Institute", "DriverSide", "MotoLogic", "MotoShop", "Worldpac", "speedDIAL" and "TECH-NET Professional Auto Service" for use in connection with the automotive parts business. In addition, we own and have registered a number of trademarks for our private label brands. We believe that these trade names, service marks and trademarks are important to our merchandising strategy. We do not know of any infringing uses that would materially affect the use of these trade names and marks and we actively defend and enforce them.

Competition

We operate in both the Professional and DIY markets of the automotive aftermarket industry. Our primary competitors are (i) both national and regional chains of automotive parts stores, including AutoZone, Inc., NAPA, O'Reilly Automotive, Inc., The Pep Boys-Manny, Moe & Jack and Auto Plus (formerly Uni-Select USA, Inc.), (ii) discount stores and mass merchandisers that carry automotive products, (iii) wholesalers or jobber stores, including those associated with national parts distributors or associations, (iv) independently owned stores, (v) automobile dealers that supply parts and (vi) internet-based retailers. We believe that chains of automotive parts stores that, like us, have multiple locations in one or more markets, have competitive advantages in customer service, marketing, inventory selection, purchasing and distribution as compared to independent retailers and jobbers that are not part of a chain or associated with other retailers or jobbers. The principal methods of competition in our business include customer service, product offerings, availability, quality, price and store location.

Environmental Matters

We are subject to various federal, state and local laws and governmental regulations relating to the operation of our business, including those governing collection, transportation and recycling of automotive lead-acid batteries, used motor oil and other recyclable items, and ownership and operation of real property. We sell products containing hazardous materials as part of our business. In addition, our customers may bring automotive lead-acid batteries, used motor oil or other recyclable items onto our properties. We currently provide collection and recycling programs for used lead-acid batteries, used oil and other recyclable items at a majority of our stores as a service to our customers. Pursuant to agreements with third-party vendors, lead-acid batteries, used motor oil and other recyclable items are collected by our Team Members, deposited onto pallets or into vendor supplied containers and stored by us until collected by the third party vendors for recycling or proper disposal. The terms of our contracts with third party vendors require that they are in compliance with all applicable laws and regulations. Our third-party vendors who arrange for the removal, disposal, treatment or other handling of hazardous or toxic substances may be liable for the costs of removal or remediation at any affected disposal, treatment or other site affected by such substances. Based on our experience, we do not believe that there are any material environmental costs associated with the current business practice of accepting lead-acid batteries, used oil and other recyclable items as these costs are borne by the respective third-party vendors.

We own and lease real property. Under various environmental laws and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. These laws often impose joint and several liability and may be imposed without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous or toxic substances. Other environmental laws and common law principles also could be used to impose liability for releases of hazardous materials into the environment or work place, and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances. From time to time, we receive notices from the U.S. Environmental Protection Agency and state environmental authorities indicating that there may be contamination on properties we own, lease or operate or may have owned, leased or operated in the past or on adjacent properties for which we may be responsible. Compliance with these laws and regulations and clean-up of released hazardous substances have not had a material impact on our operations to date.

Available Information

Our Internet address is www.AdvanceAutoParts.com. Our website and the information contained therein or linked thereto are not part of this Annual Report on Form 10-K for 2018. We make available free of charge through our Internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, registration statements and amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish them to the SEC. The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at www.sec.gov.

Item 1A. Risk Factors.

Our business is subject to a variety of risks. Our business, financial condition, results of operations and cash flows could be negatively impacted by the following risk factors. These risks are not the only risks that may impact our business.

If overall demand for the products we sell declines, our business, financial condition, results of operations and cash flows will suffer. Decreased demand could also negatively impact our stock price.

Overall demand for products sold by our stores depends on many factors and may decrease due to any number of reasons, including:

- *a decrease in the total number of vehicles on the road or in the number of annual miles driven or significant increase in the use of ridesharing services*, because fewer vehicles means less maintenance and repairs, and lower vehicle mileage, which decreases the need for maintenance and repair;
- *the economy*, because during periods of declining economic conditions and rising interest rates, consumers may reduce their discretionary spending by deferring vehicle maintenance or repair and new car purchases, which may impact the number of cars requiring repair in the future;
- *the weather*, because milder weather conditions may lower the failure rates of automobile parts while extended periods of rain and winter precipitation may cause our customers to defer elective maintenance and repair of their vehicles;
- *the average duration of vehicle manufacturer warranties and average age of vehicles being driven*, because newer cars typically require fewer repairs and will be repaired by the manufacturers' dealer networks using dealer parts pursuant to warranties (which have gradually increased in duration and/or mileage expiration over the recent past), while vehicles that are seven years old and older are generally no longer covered under manufacturers' warranties and tend to need more maintenance and repair than newer vehicles;
- *an increase in internet-based retailers*, because potentially favorable prices and ease of use of purchasing parts via other websites on the internet may decrease the need for customers to visit and purchase their aftermarket parts from our physical stores and may cause fewer customers to order aftermarket parts on our website;
- *technological advances, such as battery electric vehicles, and the increase in quality of vehicles manufactured*, because vehicles that need less frequent maintenance or have lower part failure rates will require less frequent repairs using aftermarket parts and, in the case of battery electric vehicles, do not require oil changes; and
- *the refusal of vehicle manufacturers to make available diagnostic, repair and maintenance information to the automotive aftermarket industry that our Professional and DIY customers require to diagnose, repair and maintain their vehicles*, because this may force consumers to have a majority of diagnostic work, repairs and maintenance performed by the vehicle manufacturers' dealer networks.

If we are unable to compete successfully against other companies in the automotive aftermarket industry we may lose customers and our revenues may decline.

The sale of automotive parts, accessories and maintenance items is highly competitive and influenced by a number of factors, including name recognition, location, price, quality, product availability and customer service. We compete in both the Professional and DIY categories of the automotive aftermarket industry, primarily with: (i) national and regional chains of automotive parts stores, (ii) internet-based retailers, (iii) discount stores and mass merchandisers that carry automotive products, (iv) wholesalers or jobbers stores, including those associated with national parts distributors or associations (v) independently owned stores and (vi) automobile dealers that supply parts. These competitors and the level of competition vary by market. Some of our competitors may possess advantages over us in certain markets we share, including with respect to the level of marketing activities, number of stores, store locations, store layouts, operating histories, name recognition, established customer bases, vendor relationships, prices and product warranties. Internet-based retailers may possess cost advantages over us due to lower overhead costs, time and travel savings and ability to price competitively. In order to compete favorably, we may need to increase delivery speeds and incur higher shipping costs. Consolidation among our competitors could enhance their market share and financial position, provide them with the ability to achieve better purchasing terms and allow them to provide more competitive prices to customers for whom we compete.

In addition, our reputation is critical to our continued success. Customers are increasingly shopping, reading reviews and comparing products and prices on-line. If we fail to maintain high standards for, or receive negative publicity (whether through social media or traditional media channels) relating to, product safety and quality or our integrity and reputation, we could lose customers to our competition. The product we sell is branded both in brands of our vendors and in our own private label brands. If the perceived quality or value of the brands we sell declines in the eyes of our customers, our results of operations could be negatively affected.

Competition may require us to reduce our prices below our normal selling prices or increase our promotional spending, which could lower our revenue and profitability. Competitive disadvantages may also prevent us from introducing new product lines, require us to discontinue current product offerings, or change some of our current operating strategies. If we do not have the resources, expertise and consistent execution, or otherwise fail to develop successful strategies, to address these potential competitive disadvantages, we may lose customers, our revenues and profit margins may decline and we may be less profitable or potentially unprofitable.

If we are unable to successfully implement our business strategy, including increasing sales to Professional and DIY customers, expanding our margins and increasing our return on invested capital, our business, financial condition, results of operations and cash flows could be adversely affected.

We have identified numerous initiatives as part of our business strategy to increase sales to both Professional and DIY customers and expand our margins in order to increase our earnings and cash flows. If we are unable to implement these initiatives efficiently and effectively, our business, financial condition, results of operations and cash flows could be adversely affected. For a description of select initiatives, see Note 4, *Exit Activities and Other Initiatives*, of the Notes to the Consolidated Financial Statements included herein.

Our inventory and ability to meet customer expectations may be adversely impacted by factors out of our control.

For that portion of our inventory manufactured and/or sourced outside the United States, geopolitical changes, changes in trade regulations or tariff rates, currency fluctuations, work stoppages, labor strikes, port delays, civil unrest, natural disasters, pandemics and other factors beyond our control may increase the cost of items we purchase or create shortages that could have a material adverse effect on our sales and profitability. In addition, unanticipated changes in consumer preferences or any unforeseen hurdles to meeting our customers' needs for automotive products (particularly parts availability) in a timely manner could undermine our business strategy.

If we are unable to successfully implement our growth strategy, keep existing store locations or open new locations in desirable places on favorable terms, it could adversely affect our business, financial condition, results of operations and cash flows.

We intend to continue to expand the markets we serve as part of our growth strategy, which may include opening new stores or branches, as well as expansion of our online business. We may also grow our business through strategic acquisitions. We do not know whether the implementation of our growth strategy will be successful. As we expand our market presence through various means, it becomes more critical that we have consistent and effective execution across all of our Company's locations and brands. We are unsure whether we will be able to open and operate new locations on a timely or sufficiently profitable basis, or that opening new locations in markets we already serve will not harm the profitability or comparable store sales of existing locations. The newly opened and existing locations' profitability will depend on the competition we face as well as our ability to properly stock, market and price the products desired by customers in these markets. The actual number and format of any new locations to be opened and the success of our growth strategy will depend on a number of factors, including, among other things:

- the availability of desirable locations;
- the negotiation of acceptable lease or purchase terms for new locations;
- the availability of financial resources, including access to capital at cost-effective interest rates;
- our ability to expand our on-line offerings and sales; and
- our ability to manage the expansion and to hire, train and retain qualified Team Members.

We compete with other retailers and businesses for suitable locations for our stores. Local land use and zoning regulations, environmental regulations and other regulatory requirements may impact our ability to find suitable locations and influence the cost of constructing, renovating and operating our stores. In addition, real estate, zoning, construction and other delays may adversely affect store openings and renovations and increase our costs. Further, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores. The termination or expiration of leases at existing store locations may adversely affect us if the renewal terms of those leases are unacceptable to us and we are forced to close or relocate stores. If we determine to close or relocate a store subject to a lease, we may remain obligated under the applicable lease for the balance of the lease term. In addition to potentially incurring costs related to lease obligations, we may also incur severance or other facility closure costs for stores that are closed or relocated.

If we are unable to successfully integrate future acquisitions into our existing operations, it could adversely affect our business, financial condition, results of operations and cash flows.

We also expect to continue to make strategic acquisitions an element of our growth strategy. Acquisitions involve certain risks that could cause our growth and profitability to differ from our expectations. The success of our acquisitions depends on a number of factors, including among other things:

- our ability to continue to identify and acquire suitable targets or to acquire additional companies at favorable prices and on other favorable terms;
- our ability to obtain the full benefits envisioned by strategic relationships;
- the risk that management’s attention may be distracted;
- our ability to retain key personnel from acquired businesses;
- our ability to successfully integrate the operations and systems of the acquired companies and achieve the strategic, operational, financial or other anticipated synergies of the acquisition;
- we may incur significant transaction and integration costs in connection with acquisitions that may not be offset by the synergies achieved from the acquisition in the near term, or at all; and
- we may assume or become subject to loss contingencies, known or unknown, of the acquired companies, which could relate to past, present or future facts, events, circumstances or occurrences.

If we experience difficulties implementing various information systems, including our new enterprise resource planning system (“ERP”), our ability to conduct our business could be negatively impacted.

We are dependent on information systems to facilitate the day-to-day operations of the business and to produce timely, accurate and reliable information on financial and operational results. We are in process of implementing various information systems, including a new ERP. These implementations will require significant investment of human and financial resources, and we may experience significant delays, increased costs and other difficulties with these projects. Any significant disruption or deficiency in the design and implementation of these information systems could adversely affect our ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. While we have invested meaningful resources in planning, project management and training, additional and serious implementation issues may arise as we integrate onto these new information systems that may disrupt our operations and negatively impact our business, financial condition, results of operations and cash flows.

If we are unable to maintain adequate supply chain capacity and improve supply chain efficiency, we will not be able to expand our business, which could adversely affect our business, financial condition, results of operations and cash flows.

Our store inventories are primarily replenished by shipments from our network of distribution centers, warehouses and HUB stores. As we expand our market presence, we will need to increase the efficiency and maintain adequate capacity of our supply chain network in order to achieve the business goal of reducing inventory costs while improving availability and movement of goods throughout our supply chain to meet consumer product needs and channel preferences. We continue to streamline and optimize our supply chain network and systems and cannot be assured of our ability to increase the productivity and efficiency of our overall supply chain network to desired levels. If we fail to effectively utilize our existing supply chain or if our investments in our supply chain do not provide the anticipated benefits, we could experience sub-optimal inventory levels or increases in our costs, which could adversely affect our business, financial condition, results of operations and cash flows.

We are dependent on our suppliers to supply us with products that comply with safety and quality standards at competitive prices.

We are dependent on our vendors continuing to supply us quality products on payment terms that are favorable to us. If our merchandise offerings do not meet our customers’ expectations regarding safety and quality, we could experience lost sales, increased costs and exposure to legal and reputational risk. All of our suppliers must comply with applicable product safety laws, and we are dependent on them to ensure that the products we buy comply with all safety and quality standards. Events that give rise to actual, potential or perceived product safety concerns could expose us to government enforcement action and private litigation and result in costly product recalls and other liabilities. To the extent our suppliers are subject to additional government regulation of their product design and/or manufacturing processes, the cost of the merchandise we purchase may rise. In addition, negative customer perceptions regarding the safety or quality of the products we sell could cause our customers to seek alternative sources for their needs, resulting in lost sales. In those circumstances, it may be difficult and costly for us to regain the confidence of our customers.

Our reliance on suppliers subjects us to various risks and uncertainties which could affect our financial results.

We source the products we sell from a wide variety of domestic and international suppliers. Our financial results depend on us securing acceptable terms with our suppliers for, among other things, the price of merchandise we purchase from them, funding for various forms of promotional programs, payment terms and terms covering returns and factory warranties. To varying degrees, our suppliers may be able to leverage their competitive advantages - for example, their financial strength, the strength of their brand with customers, their own stores or online channels or their relationships with other retailers - to our commercial disadvantage. Generally, our ability to negotiate favorable terms with our suppliers is more difficult with suppliers for whom our purchases represent a smaller proportion of their total revenues, consequently impacting our profitability from such vendor relationships. We have established standards for product safety and quality and workplace standards that we require all our suppliers to meet. We do not condone human trafficking, forced labor, child labor, harassment or abuse of any kind, and we expect our suppliers to operate within these same principles. Our ability to find qualified suppliers who can supply products in a timely and efficient manner that meet our standards can be challenging. Suppliers may also fail to invest adequately in design, production or distribution facilities, may reduce their customer incentives, advertising and promotional activities or change their pricing policies. If we encounter any of these issues with our suppliers, our business, financial condition, results of operations and cash flows could be adversely impacted.

Deterioration of general macro-economic conditions, including unemployment, inflation or deflation, consumer debt levels, high fuel and energy costs, could have a negative impact on our business, financial condition, results of operations and cash flows due to impacts on our suppliers, customers and operating costs.

Our business depends on developing and maintaining close relationships with our suppliers and on our suppliers' ability and willingness to sell quality products to us at favorable prices and terms. Many factors outside our control may harm these relationships and the ability or willingness of these suppliers to sell us products on favorable terms. Such factors include a general decline in the economy and economic conditions and prolonged recessionary conditions. These events could negatively affect our suppliers' operations and make it difficult for them to obtain the credit lines or loans necessary to finance their operations in the short-term or long-term and meet our product requirements. Financial or operational difficulties that some of our suppliers may face could also increase the cost of the products we purchase from them or our ability to source product from them. We might not be able to pass our increased costs onto our customers. If our suppliers fail to develop new products we may not be able to meet the demands of our customers and our results of operations could be negatively affected.

In addition, the trend towards consolidation among automotive parts suppliers as well as the off-shoring of manufacturing capacity to foreign countries may disrupt or end our relationship with some suppliers, and could lead to less competition and result in higher prices. We could also be negatively impacted by suppliers who might experience bankruptcies, work stoppages, labor strikes, changes in foreign or domestic trade policies, changes in tariff rates or other interruptions to or difficulties in the manufacture or supply of the products we purchase from them.

Deterioration in macro-economic conditions or an increase in fuel costs or proposed or additional tariffs may have a negative impact on our customers' net worth, financial resources, disposable income or willingness or ability to pay for accessories, maintenance or repair for their vehicles, resulting in lower sales in our stores. An increase in fuel costs may also reduce the overall number of miles driven by our customers resulting in fewer parts failures and a reduced need for elective maintenance.

Rising energy prices also directly impact our operating and product costs, including our store, supply chain, Professional delivery, utility and product acquisition costs.

We depend on the services of many qualified executives and other Team Members, whom we may not be able to attract, develop and retain.

Our success depends to a significant extent on the continued services and experience of our executives and other Team Members. We may not be able to retain our current executives and other key Team Members or attract and retain additional qualified executives and Team Members who may be needed in the future. We must also continue to motivate employees and keep them focused on our strategies and goals. Our ability to maintain an adequate number of executive and other qualified Team Members is highly dependent on an attractive and competitive compensation and benefits package. In addition, less than one percent of our Team Members are represented by unions. If these Team Members were to engage in a strike, work stoppage, or other slowdown, or if the terms and conditions in labor agreements were renegotiated, we could experience a disruption in our operations and higher ongoing labor costs. If we fail or are unable to maintain competitive compensation, our customer service and execution levels could suffer by reason of a declining quality of our workforce, which could adversely affect our business, financial condition, results of operations and cash flows.

The market price of our common stock may be volatile and could expose us to securities class action litigation.

The stock market and the price of our common stock may be subject to wide fluctuations based upon general economic and market conditions. Downturns in the stock market may cause the price of our common stock to decline. The market price of our stock may also be affected by our ability to meet analysts' expectations. Failure to meet such expectations, even slightly, could have an adverse effect on the price of our common stock. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such a company. If similar litigation were instituted against us, it could result in substantial costs and a diversion of our attention and resources, which could have an adverse effect on our business.

Our level of indebtedness, a downgrade in our credit ratings or a deterioration in global credit markets could limit the cash flow available for operations and could adversely affect our ability to service our debt or obtain additional financing.

Our level of indebtedness could restrict our operations and make it more difficult for us to satisfy our debt obligations. For example, our level of indebtedness could, among other things:

- affect our liquidity by limiting our ability to obtain additional financing for working capital;
- limit our ability to obtain financing for capital expenditures and acquisitions or make any available financing more costly;
- require us to dedicate all or a substantial portion of our cash flow to service our debt, which would reduce funds available for other business purposes, such as capital expenditures, dividends or acquisitions;
- limit our flexibility in planning for or reacting to changes in the markets in which we compete;
- place us at a competitive disadvantage relative to our competitors who may have less indebtedness;
- render us more vulnerable to general adverse economic and industry conditions; and
- make it more difficult for us to satisfy our financial obligations.

The indenture governing our notes and credit agreement governing our credit facilities contain financial and other restrictive covenants. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt, including such notes.

In addition, our overall credit rating may be negatively impacted by deteriorating and uncertain credit markets or other factors that may or may not be within our control. The interest rates on our publicly issued debt and revolving credit facility are linked directly to our credit ratings. Accordingly, any negative impact on our credit ratings would likely result in higher interest rates and interest expense on any borrowings under our revolving credit facility or future issuances of public debt and less favorable terms on other operating and financing arrangements. In addition, it could reduce the attractiveness of certain vendor payment programs whereby third-party institutions finance arrangements to our vendors based on our credit rating, which could result in increased working capital requirements.

Conditions and events in the global credit market could have a material adverse effect on our access to short and long-term borrowings to finance our operations and the terms and cost of that debt. It is possible that one or more of the banks that provide us with financing under our revolving credit facility may fail to honor the terms of our existing credit facility or be financially unable to provide the unused credit as a result of significant deterioration in such bank's financial condition. An inability to obtain sufficient financing at cost-effective rates could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Because we are involved in litigation from time to time, and are subject to numerous laws and governmental regulations, we could incur substantial judgments, fines, legal fees and other costs.

We are sometimes the subject of complaints or litigation, which may include class action litigation from customers, Team Members or others for various actions. From time to time, we are involved in litigation involving claims related to, among other things, breach of contract, tortious conduct, employment, labor discrimination, breach of laws or regulations (including The Americans With Disabilities Act), payment of wages, exposure to asbestos or potentially hazardous product, real estate and product defects. The damages sought against us in some of these litigation proceedings are substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. For instance, we are currently subject to a putative securities class action regarding past public disclosures (see Item 3, "Legal Proceedings" of this annual report) and to several lawsuits alleging injury as a result of exposure to asbestos-containing products (see Note 14, Contingencies, of the Notes to the Consolidated Financial Statements included herein).

We are subject to numerous federal, state and local laws and governmental regulations relating to, among other things, environmental protection, product quality and safety standards, building and zoning requirements, labor and employment, discrimination and income taxes. Compliance with existing and future laws and regulations could increase the cost of doing business and adversely affect our results of operations. If we fail to comply with existing or future laws or regulations, we may be subject to governmental or judicial fines or sanctions, while incurring substantial legal fees and costs, as well as reputational risk. In addition, our capital and operating expenses could increase due to remediation measures that may be required if we are found to be noncompliant with any existing or future laws or regulations.

We work diligently to maintain the privacy and security of our customer, supplier, Team Member and business information and the functioning of our computer systems, website and other on-line offerings. In the event of a security breach or other cyber security incident, we could experience adverse operational effects or interruptions and/or become subject to legal or regulatory proceedings, any of which could lead to damage to our reputation in the marketplace and substantial costs.

The nature of our business requires us to receive, retain and transmit certain personally identifiable information about our customers, suppliers and Team Members, some of which is entrusted to third-party service providers. While we have taken and continue to undertake significant steps to protect such personally identifiable information and other confidential information and to protect the functioning of our computer systems, website and other online offerings, a compromise of our data security systems or those of businesses we interact with could result in information related to our customers, suppliers, Team Members or business being obtained by unauthorized persons or adverse operational effects or interruptions, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We develop, maintain and update processes and systems in an effort to try to prevent this from occurring, but these actions are costly and require constant, ongoing attention as technologies change, privacy and information security regulations change, and efforts to overcome security measures by bad actors continue to become ever more sophisticated.

Despite our efforts, our security measures may be breached in the future due to a cyber-attack, computer malware viruses, exploitation of hardware and software vulnerabilities, Team Member error, malfeasance, fraudulent inducement (including so-called "social engineering" attacks and "phishing" scams) or other acts. While we have experienced threats to our data and systems, including phishing attacks, to date we are not aware that we have experienced a material cyber-security breach that has in any manner hindered our operational capabilities. Unauthorized parties may in the future obtain access to our data or the data of our customers, suppliers or Team Members or may otherwise cause damage to or interfere with our equipment, our data and/or our network including our supply chain. Any breach, damage to or interference with our equipment or our network, or unauthorized access in the future could result in significant operational difficulties including legal and financial exposure and damage to our reputation that could potentially have an adverse effect on our business. While we also seek to obtain assurances that others we interact with will protect confidential information, there is always the risk that the confidentiality or accessibility of data held or utilized by others may be compromised. If a compromise of our data security or function of our computer systems or website were to occur, it could have a material adverse effect on our operating results and financial condition and possibly subject us to additional legal, regulatory and operating costs and damage our reputation in the marketplace.

Business interruptions may negatively impact our store hours, operability of our computer systems and the availability and cost of merchandise, which may adversely impact our sales and profitability.

Hurricanes, tornadoes, earthquakes or other natural disasters, war or acts of terrorism, or the threat of any of these calamities or others, may have a negative impact on our ability to obtain merchandise to sell in our stores, result in certain of our stores being closed for an extended period of time, negatively affect the lives of our customers or Team Members, or otherwise negatively impact our operations. Some of our merchandise is imported from other countries. If imported goods become difficult or impossible to import into the United States due to business interruption (including regulation of exporting or importing), and if we cannot obtain such merchandise from other sources at similar costs and without an adverse delay, our sales and profit margins may be negatively affected.

In the event that commercial transportation, including the global shipping industry, is curtailed or substantially delayed, our business may be adversely impacted as we may have difficulty receiving merchandise from our suppliers and/or transporting it to our stores.

Terrorist attacks, war in the Middle East, or insurrection involving any oil producing country could result in an abrupt increase in the price of crude oil, gasoline and diesel fuel. Such price increases would increase the cost of doing business for us and our suppliers, and also negatively impact our customers' disposable income, causing an adverse impact on our business, sales, profit margins and results of operations.

We rely extensively on our computer systems and the systems of our business partners to manage inventory, process transactions and report results. These systems are subject to damage or interruption from power outages, telecommunication failures, computer viruses, security breaches and catastrophic events or occasional system breakdowns related to ordinary use or wear and tear. If our computer systems or those of our business partners fail we may experience loss of critical data and interruptions or delays in our ability to process transactions and manage inventory. Any such failure, including plans for disaster recovery, if widespread or extended, could adversely affect the operation of our business and our results of operations.

We may be affected by global climate change or by legal, regulatory, or market responses to such change.

The concern over climate change has led to legislative and regulatory initiatives aimed at reducing greenhouse gas emissions ("GHG"). For example, proposals that would impose mandatory requirements related to GHG continue to be considered by policy makers in the United States and elsewhere. Laws enacted to reduce GHG that directly or indirectly affect our suppliers (through an increase in their cost of production) or our business (through an impact on our inventory availability, cost of sales, operations or demand for the products we sell) could adversely affect our business, financial condition, results of operations and cash flows. Changes in automotive technology and compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us or our suppliers all of which could adversely impact the demand for our products and our business, financial condition, results of operations or cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table summarizes the location, ownership status and total square footage of space utilized for distribution centers, principal corporate offices and retail stores and branches at the end of 2018:

	Location	Square Footage (in thousands)	
		Leased	Owned
Distribution Centers	51 locations in 33 U.S. states and 4 Canadian provinces	7,298	4,183
Customer Support Centers:			
Raleigh, NC	Raleigh, NC	177	—
Roanoke, VA	Roanoke, VA	253	—
Stores and branches	4,948 stores and branches in 49 U.S. states and 2 U.S. territories and 161 stores and branches in 9 Canadian provinces	35,525	6,210

Item 3. Legal Proceedings.

On February 6, 2018, a putative class action on behalf of purchasers of our securities who purchased or otherwise acquired their securities between November 14, 2016 and August 15, 2017, inclusive (the "Class Period"), was commenced against us and certain of our current and former officers in the U.S. District Court for the District of Delaware. The plaintiff alleges that the defendants failed to disclose material adverse facts about our financial well-being, business relationships, and prospects during the alleged Class Period in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The case is still in its preliminary stages. We strongly dispute the allegations of the complaint and intend to defend the case vigorously.

Refer to discussion in Note 14, *Contingencies*, of the Notes to the Consolidated Financial Statements included herein for information relating to additional legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “AAP”.

At February 15, 2019, there were 348 holders of record of our common stock, which does not include the number of beneficial owners whose shares were represented by security position listings.

Our stock repurchase program authorizing the repurchase of up to \$600.0 million in common stock was authorized by our Board of Directors on August 8, 2018 and publicly announced on August 14, 2018. The following table sets forth information with respect to repurchases of our common stock for the fourth quarter ended December 29, 2018:

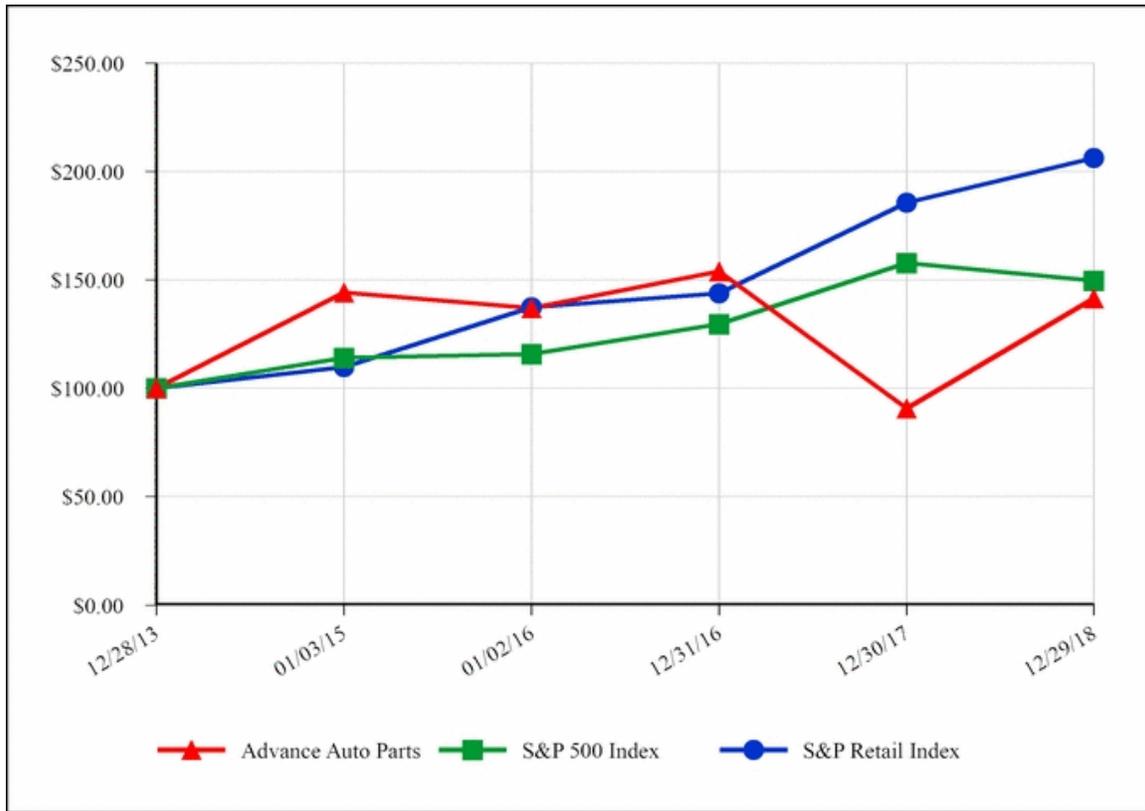
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs (In thousands)
October 7, 2018 to November 3, 2018	486,728	\$ 164.53	486,723	\$ 400,000
November 4, 2018 to December 1, 2018	6,215	169.44	—	400,000
December 2, 2018 to December 29, 2018	470,834	156.61	465,085	327,218
Total	963,777	\$ 160.69	951,808	\$ 327,218

(1) The aggregate cost of repurchasing shares in connection with the net settlement of shares issued as a result of the vesting of restricted stock units was \$2.0 million, or an average price of \$167.87 per share, during the twelve weeks ended December 29, 2018.

Stock Price Performance

The following graph shows a comparison of the cumulative total return on our common stock, the Standard & Poor’s 500 Index and the Standard & Poor’s Retail Index. The graph assumes that the value of an investment in our common stock and in each such index was \$100 on December 28, 2013, and that any dividends have been reinvested. The comparison in the graph below is based solely on historical data and is not intended to forecast the possible future performance of our common stock.

**COMPARISON OF CUMULATIVE TOTAL RETURN AMONG
ADVANCE AUTO PARTS, INC., S&P 500 INDEX
AND S&P RETAIL INDEX**



Company/Index	December 28, 2013	January 3, 2015	January 2, 2016	December 31, 2016	December 30, 2017	December 29, 2018
Advance Auto Parts	\$ 100.00	\$ 144.25	\$ 136.93	\$ 153.86	\$ 90.69	\$ 141.43
S&P 500 Index	\$ 100.00	\$ 114.11	\$ 115.71	\$ 129.55	\$ 157.84	\$ 149.63
S&P Retail Index	\$ 100.00	\$ 109.80	\$ 137.39	\$ 143.76	\$ 185.59	\$ 206.28

Item 6. Selected Consolidated Financial Data.

The following table sets forth our selected historical consolidated statements of operations, balance sheets and other operating data. Included in this table are key metrics and operating results used to measure our financial progress. The selected historical consolidated financial and other data (excluding the Selected Store Data and Performance Measures) as of December 29, 2018 and December 30, 2017 and for the years ended December 29, 2018, December 30, 2017 and December 31, 2016 have been derived from our audited consolidated financial statements and the related notes included elsewhere in this report. The historical consolidated financial and other data as of December 31, 2016, January 2, 2016 and January 3, 2015 and for the fiscal years ended January 2, 2016 (“2015”) and January 3, 2015 (“2014”) have been derived from our audited consolidated financial statements and the related notes that have not been included in this report. You should read this data along with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this report.

<i>(in thousands, except per share data, store data and ratios)</i>	Year (1)				
	2018	2017	2016	2015	2014
Statement of Operations Data:					
Net sales	\$ 9,580,554	\$ 9,373,784	\$ 9,567,679	\$ 9,737,018	\$ 9,843,861
Gross profit	\$ 4,219,413	\$ 4,085,049	\$ 4,255,915	\$ 4,422,772	\$ 4,453,613
Operating income	\$ 604,275	\$ 570,212	\$ 787,598	\$ 825,780	\$ 851,710
Net income (2)	\$ 423,847	\$ 475,505	\$ 459,622	\$ 473,398	\$ 493,825
Basic earnings per common share	\$ 5.75	\$ 6.44	\$ 6.22	\$ 6.45	\$ 6.75
Diluted earnings per common share	\$ 5.73	\$ 6.42	\$ 6.20	\$ 6.40	\$ 6.71
Cash dividends declared per basic share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Balance Sheet and Other Financial Data:					
Total assets	\$ 9,040,648	\$ 8,482,301	\$ 8,315,033	\$ 8,127,701	\$ 7,954,392
Total debt	\$ 1,045,930	\$ 1,044,677	\$ 10,433,255	\$ 1,206,895	\$ 1,628,927
Total stockholders’ equity	\$ 3,550,813	\$ 3,415,196	\$ 2,916,192	\$ 2,460,648	\$ 2,002,912
Selected Store Data and Performance Measures:					
Comparable store sales growth (3)	2.3%	(2.0%)	(1.4%)	0.0%	2.0%
Number of stores, beginning of year	5,183	5,189	5,293	5,372	4,049
New stores	27	60	78	121	1,487
Closed stores	(101)	(66)	(182)	(200)	(164)
Number of stores, end of year	5,109	5,183	5,189	5,293	5,372

- (1) All fiscal years presented are 52 weeks, with the exception of 2014, which consisted of 53 weeks. The impact of week 53 included in sales, gross profit and selling, general and administrative expenses for 2014 was \$150.4 million, \$67.8 million and \$46.7 million.
- (2) Net income for 2018 and 2017 includes an income tax benefit of \$5.7 million and \$143.8 million related to the U.S. Tax Cuts and Jobs Act (the “Act”) that was signed into law on December 22, 2017. Refer to discussion in Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements included herein for further information.
- (3) Comparable store sales include net sales from our stores, branches and e-commerce websites. Sales to independently owned Carquest branded stores are excluded from our comparable store sales. The change in store sales is calculated based on the change in net sales starting once a store or branch has been open for 13 complete accounting periods (each period represents four weeks). Relocations are included in comparable store sales from the original date of opening. Acquired stores are included in our comparable store sales once the stores have completed 13 complete accounting periods following the acquisition date (approximately one year). Comparable store sales growth for 2014 excludes sales from the 53rd week of 2014.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated historical financial statements and the notes to those statements that appear elsewhere in this report. Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the section entitled “Risk Factors” elsewhere in this report.

Management Overview

Net sales increased 2.2% in 2018, primarily driven by an increase in comparable store sales. We experienced improvement across all regions with stronger sales growth in our Mid-Atlantic, Midwest and Northeast regions, growth in our Professional and Canadian businesses, as well as increased sales in several product categories.

Our gross margin expansion for 2018 was primarily driven by our increase in comparable sales, an improvement in inventory management related to utilizing inventory on hand and continued material cost optimization efforts. These improvements in margin were partially offset by increased supply chain costs due to higher fuel prices and transportation costs.

Our diluted earnings per share in 2018 was \$5.73 compared to \$6.42 in 2017. When adjusted for the following non-operational items, our adjusted diluted earnings per share (“adjusted EPS”) in 2018 was \$7.13 compared to \$5.37 during 2017:

	Year Ended	
	December 29, 2018	December 30, 2017
GPI integration and store closure and consolidation expenses	\$ 0.07	\$ 0.22
GPI amortization of acquired intangible assets	\$ 0.39	\$ 0.33
Transformation expenses	\$ 1.02	\$ 0.41
Other income adjustment	\$ —	\$ (0.07)
Impact of the Act	\$ (0.08)	\$ (1.94)

Refer to “Reconciliation of Non-GAAP Financial Measures” for further details of our comparable adjustments and the usefulness of such measures to investors.

Summary of 2018 Financial Results

A high-level summary of our financial results and other highlights from 2018 includes:

- Net sales during 2018 were \$9,580.6 million, an increase of 2.2% as compared to 2017, which primarily related to a comparable store sales growth of 2.3%.
- Operating income for 2018 was \$604.3 million, an increase of \$34.1 million from 2017. As a percentage of total sales, operating income was 6.3%, an increase of 22 basis points as compared to 2017, due to an increase in comparable store sales, continued material cost improvement and lower GPI integration and store closure and consolidation costs. Partially offsetting these improvements, we incurred an increase in supply chain costs, higher bonus, an increase in costs relating to our transformation plan and an increase in spending related to our new marketing campaign.
- Inventories as of December 29, 2018 increased \$194.1 million, or 4.7%, as compared to 2017. This increase was driven by our implementation of demand-based assortment, higher purchases to ensure future replenishment capabilities throughout our supply chain and the additional Worlpac branches we opened in 2018.
- We generated cash flow from operations of \$811.0 million during 2018, an increase of 35.0% compared to 2017, primarily due to improvements to working capital.
- Provision for income taxes increased \$86.7 million to \$131.4 million in 2018 as compared to \$44.8 million in 2017 primarily due to a net \$143.8 million one-time tax benefit associated with the Act that was recorded in 2017, which was partially offset by the reduction of the federal tax rate from 35% to 21% due to the enactment of the Act.

Refer to “Results of Operations” and “Liquidity and Capital Resources” for further details on our results.

Business Update

We continue to make progress on the various elements of our strategic business plan, which is focused on improving the customer experience and driving consistent execution for both Professional and DIY customers. To achieve these improvements, we have undertaken planned transformation actions to help build a foundation for long-term success across the entire company. These transformation actions include:

- Improvement of our common catalog of products across our Professional and DIY businesses — AAP, Carquest (“CQ”), Worldpac (“WP”) and Autopart International (“AI”) that was completed in the first half of 2018.
- Development of a demand-based assortment, leveraging purchase and search history from the common catalog, versus our existing push-down supply approach. This technology is a first step in moving from a supply-driven to a demand-driven assortment.
- Progress in the early development of a more efficient end-to-end supply chain to deliver our broad assortment.
- Continued movement towards optimizing our footprint by market to drive share, repurposing of our in-market store and asset base and optimizing our distribution centers.
- Creation of new Professional omni-channel capabilities to reach our customers in the manner that is most desirable for them, including the launch of MyAdvance.com, an interactive, easy-to-use, mobile-friendly platform where we have combined multiple online tools and capabilities into one place.
- Entered into strategic partnership with Walmart.com that we expect to enable us to reach a much broader group of DIY customers and help drive our DIY market share growth.
- Continued focus on Worldpac branch openings in 2018 to drive Professional growth while investing in online and digital to drive DIY improvements.

Industry Update

Operating within the automotive aftermarket industry, we are influenced by a number of general macroeconomic factors, many of which are similar to those affecting the overall retail industry. These factors include, but are not limited to:

- Fuel costs
- Unemployment rates
- Consumer confidence
- Competition
- Changes in new car sales
- Miles driven
- Vehicle manufacturer warranties
- Average age of vehicles in operation
- Economic and political uncertainty
- Deferral of elective automotive maintenance and improvements in new car quality

While these factors tend to fluctuate, we remain confident in the long-term growth prospects for the automotive parts industry.

Results of Operations

The following table sets forth certain of our operating data expressed as a percentage of net sales for the periods indicated.

(in millions)	Year Ended						2018 vs. 2017 \$ Change	Basis Points	2017 vs. 2016 \$ Change	Basis Points
	December 29, 2018		December 30, 2017		December 31, 2016					
Net sales	\$ 9,580.6	100.0 %	\$ 9,373.8	100.0 %	\$ 9,567.7	100.0 %	\$ 206.8	—	\$ (193.9)	—
Cost of sales	5,361.1	56.0	5,288.7	56.4	5,311.8	55.5	72.4	(46)	(23.0)	90
Gross profit	4,219.4	44.0	4,085.0	43.6	4,255.9	44.5	134.4	46	(170.9)	(90)
SG&A	3,615.1	37.7	3,514.8	37.5	3,468.3	36.3	100.3	24	46.5	125
Operating income	604.3	6.3	570.2	6.1	787.6	8.2	34.1	22	(217.4)	(215)
Interest expense	(56.6)	(0.6)	(58.8)	(0.6)	(59.9)	(0.6)	2.2	4	1.1	—
Other income, net	7.6	0.1	8.8	0.1	11.1	0.1	(1.3)	(2)	(2.3)	(2)
Provision for income taxes	131.4	1.4	44.8	0.5	279.2	2.9	86.7	89	(234.5)	(244)
Net income	\$ 423.8	4.4 %	\$ 475.5	5.1 %	\$ 459.6	4.8 %	\$ (51.7)	(65)	\$ 15.9	27

Note: Table amounts may not foot due to rounding.

2018 Compared to 2017

Net Sales

Net sales for 2018 were \$9,580.6 million, an increase of \$206.8 million, or 2.2%, from net sales in 2017. This increase was primarily due to our comparable store sales growth of 2.3%. Our growth in comparable store sales was driven by an overall improvement across our business in 2018, growth in our Professional and Canadian businesses, increased sales in several product categories and strong spring and summer selling seasons, partially offset by decreased sales in the winter season resulting from extreme cold temperatures.

Gross Profit

Gross profit for 2018 was \$4,219.4 million, or 44.0% of net sales, as compared to \$4,085.0 million, or 43.6% of net sales, in 2017, an increase of 46 basis points. The increase in gross profit as a percentage of net sales was primarily the result of an improvement in inventory management related to utilizing inventory on hand and material cost optimization efforts, as well as a continued focus on productivity initiatives throughout the year. These improvements in margin were partially offset by increased supply chain costs due to higher fuel prices and transportation costs.

SG&A

SG&A for 2018 was \$3,615.1 million, or 37.7% of net sales, as compared to \$3,514.8 million, or 37.5% of net sales, for 2017, an increase of 24 basis points. This increase as a percentage of net sales was primarily due to costs incurred in connection with our transformation plan, higher bonus and increased spending related to our new marketing campaign. Partially offsetting these costs were lower GPI integration and store closure and consolidation and insurance and claims expense in 2018 compared to the prior year, as well as a continued focus on expense management throughout the year.

Income Taxes

Our effective income tax rate was 23.7% and 8.6% for 2018 and 2017. The increase in our effective tax rate for 2018 compared to 2017 was primarily related to the net tax benefit of \$143.8 million related to the Act that was recorded in 2017. This was partially offset by the reduction of the federal tax rate from 35% to 21% due to the enactment of the Act, which favorably impacted our Net income for 2018 by \$77.7 million, or \$1.05 per diluted share. During the third quarter of 2018 in conjunction with the completion of our 2017 U.S. income tax return, we identified a change in estimate to amounts previously recorded for the remeasurement of the net deferred tax liability and nonrecurring repatriation tax on accumulated earnings of foreign subsidiaries which resulted in a net tax benefit of \$5.7 million. Our accounting for the impact of the Act under Staff Accounting Bulletin No. 118 (“SAB 118”) was completed as of the third quarter of 2018.

2017 Compared to 2016

Net Sales

Net sales for 2017 were \$9,373.8 million, a decline of \$193.9 million, or 2.0%, over net sales for 2016. This decrease was primarily due to our comparable store sales decline of 2.0% and the portion of sales that did not transfer from stores that were consolidated. During 2017, we consolidated 16 stores and closed 50 stores, which was partially offset by the opening of 60 new stores. Our decline in comparable store sales was driven by a decrease in overall transactions in 2017 and mild summer weather conditions, which was partially offset by an increase in the average transaction value and favorable weather in the fourth quarter of the year that drove a stronger demand across the business.

Gross Profit

Gross profit for 2017 was \$4,085.0 million, or 43.6% of net sales, as compared to \$4,255.9 million, or 44.5% of net sales, in 2016, a decrease of 90 basis points. The decrease in gross profit as a percentage of net sales was primarily the result of higher supply chain costs driven by unfavorable commodity prices and the negative impact related to the continued inventory optimization efforts, partially offset by continued material cost improvement.

SG&A

SG&A for 2017 was \$3,514.8 million, or 37.5% of net sales, as compared to \$3,468.3 million, or 36.3% of net sales, for 2016, an increase of 125 basis points. This increase as a percentage of net sales was primarily due to costs incurred in connection with our transformation plan and higher customer facing costs including store labor and incentives and higher medical costs. Partially offsetting these costs were lower GPI integration and store closure and consolidation expenses in 2017 compared to the prior year and continued focus on expense management throughout the year.

Interest Expense

Interest expense for 2017 was \$58.8 million, as compared to \$59.9 million in 2016. The decrease in interest expense was due to lower outstanding balances of our credit facilities during 2017, as compared to 2016.

Income Taxes

Income tax expense for 2017 was \$44.8 million, as compared to \$279.2 million for 2016. Our effective income tax rate was 8.6% and 37.8% for 2017 and 2016. The decrease in our effective tax rate for 2017 compared to 2016 was primarily due to a net \$143.8 million benefit related to the Act.

Reconciliation of Non-GAAP Financial Measures

“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” includes certain financial measures not derived in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Non-GAAP financial measures should not be used as a substitute for GAAP financial measures, or considered in isolation, for the purpose of analyzing our operating performance, financial position or cash flows. We have presented these non-GAAP financial measures as we believe that the presentation of our financial results that exclude (1) non-operational expenses associated with the integration of GPI and store closure and consolidation; (2) non-cash charges related to the acquired GPI intangible assets; (3) transformation expenses under our strategic business plan; and (4) nonrecurring impact of the Act, is useful and indicative of our base operations because the expenses vary from period to period in terms of size, nature and significance and/or relate to the integration of GPI and store closure and consolidation activity in excess of historical levels. These measures assist in comparing our current operating results with past periods and with the operational performance of other companies in our industry. The disclosure of these measures allows investors to evaluate our performance using the same measures management uses in developing internal budgets and forecasts and in evaluating management’s compensation. Included below is a description of the expenses we have determined are not normal, recurring cash operating expenses necessary to operate our business and the rationale for why providing these measures is useful to investors as a supplement to the GAAP measures.

GPI Integration and Store Closure and Consolidation Expenses—We acquired GPI in 2014 and are progressing in our multi-year plan to integrate the operations of GPI with AAP. Due to the size of the acquisition, we consider these expenses to be outside of our base business. Therefore, we believe providing additional information in the form of non-GAAP measures that exclude these costs is beneficial to the users of our financial statements in evaluating the operating performance of our base business and our sustainability once the integration is complete. In addition to integration expenses, we incur store closure and consolidation expenses that consist of expenses associated with our plans to convert and consolidate the Carquest stores acquired from GPI. While periodic store closures are common, these closures represent a significant program outside of our typical market evaluation process. We believe it is useful to provide additional non-GAAP measures that exclude these costs to provide investors greater comparability of our base business and core operating performance. We also continue to have store closures that occur as part of our normal market evaluation process and have not excluded the expenses associated with these store closures in computing our non-GAAP measures.

Transformation Expenses—We expect to recognize a significant amount of transformation expenses over the next several years as we transition from integration of our AAP/CQUS businesses to a plan that involves a more holistic and integrated transformation of the entire Company, including WP and AI. These expenses will include, but not be limited to, restructuring costs, store closure costs and third-party professional services and other significant costs to integrate and streamline our operating structure across the enterprise. We are focused on several areas throughout Advance, such as supply chain and information technology.

U.S. Tax Reform—On December 22, 2017, the Act was signed into law. The Act amends the Internal Revenue Code of 1986 by, among other things, permanently lowering the corporate tax rate to 21% from the existing maximum rate of 35%, implementing a territorial tax system and imposing a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries. During the third quarter of 2018, and in conjunction with the completion of our 2017 U.S. income tax return, we identified a change in estimate, in accordance with SAB 118, to amounts previously estimated for the remeasurement of the net deferred tax liability and nonrecurring repatriation tax on accumulated earnings foreign subsidiaries.

We have included a reconciliation of this information to the most comparable GAAP measures in the following table.

<i>(in thousands, except per share data)</i>	Year Ended	
	December 29, 2018	December 30, 2017
Net income (GAAP)	\$ 423,847	\$ 475,505
Cost of sales adjustments:		
Transformation expenses	6,740	—
SG&A adjustments:		
GPI integration and store closure and consolidation expenses	7,360	26,207
GPI amortization of acquired intangible assets	38,018	39,477
Transformation expenses	93,767	50,425
Other income adjustment ⁽¹⁾	—	(8,878)
Provision for income taxes on adjustments ⁽²⁾	(36,274)	(40,748)
Impact of the Act, net	(5,665)	(143,756)
Adjusted net income (Non-GAAP)	<u>\$ 527,793</u>	<u>\$ 398,232</u>
Diluted earnings per share (GAAP)	\$ 5.73	\$ 6.42
Adjustments, net of tax	1.40	(1.05)
Adjusted EPS (Non-GAAP)	<u>\$ 7.13</u>	<u>\$ 5.37</u>

⁽¹⁾ The adjustment to Other income for 2017 relates to income recognized from an indemnification agreement associated with the acquisition of GPI.

⁽²⁾ The income tax impact of non-GAAP adjustments is calculated using the estimated tax rate in effect for the respective non-GAAP adjustments.

Liquidity and Capital Resources

Overview

Our primary cash requirements necessary to maintain our current operations include payroll and benefits, inventory purchases, contractual obligations, capital expenditures, payment of income taxes and funding of initiatives under our strategic business plan. In addition, we may use available funds for acquisitions, to repay borrowings under our credit agreement, to periodically repurchase shares of our common stock under our stock repurchase programs and for the payment of quarterly cash dividends. Historically, we have funded these requirements primarily through cash generated from operations, supplemented by borrowings under our credit facilities and debt securities as needed. We believe funds generated from our expected results of operations, available cash and cash equivalents, and available borrowing capacity under our credit facility will be sufficient to fund our primary obligations for the next year.

Capital Expenditures

Our primary capital requirements have been the funding of our investments in supply chain and information technology (“IT”), e-commerce and maintenance of existing stores. We lease approximately 84% of our stores.

Our capital expenditures were \$193.7 million in 2018, an increase of \$4.0 million from 2017. This increase in capital expenditures related to several IT projects, including our Finance enterprise resource planning tool, as well as investment in supply chain and store improvements.

Our future capital requirements will depend in large part on the timing or number of the investments we make on IT and supply chain network initiatives and existing stores and new store development (leased and owned locations) within a given year. In 2019, we anticipate that our capital expenditures related to such investments will range from \$250 million to \$300 million, but may vary with business conditions.

Analysis of Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities:

<i>(in millions)</i>	Year Ended		
	December 29, 2018	December 30, 2017	January 2, 2016
Cash flows provided by operating activities	\$ 811.0	\$ 600.8	\$ 523.3
Cash flows used in investing activities	(191.8)	(178.6)	(262.0)
Cash flows used in financing activities	(263.9)	(14.9)	(217.1)
Effect of exchange rate changes on cash	(5.7)	4.5	0.3
Net increase in cash and cash equivalents	<u>\$ 349.6</u>	<u>\$ 411.8</u>	<u>\$ 44.4</u>

Operating Activities

For 2018, net cash provided by operating activities increased \$210.2 million to \$811.0 million. The net increase in operating cash flows compared to the prior year was primarily driven by our focus on working capital management, including an increase in Accounts payable, partially offset by increases in Receivables, net and Inventories.

For 2017, net cash provided by operating activities increased \$77.5 million to \$600.8 million. This net increase in operating cash flow was primarily driven by the timing of payments within working capital. Our inventory balance as of December 30, 2017 decreased \$157.4 million, or 3.6%, over the prior year primarily driven by the focus on inventory optimization across the Company.

Investing Activities

For 2018, net cash used in investing activities increased by \$13.2 million to \$191.8 million compared to 2017. The increase in cash used in investing activities was primarily driven by an increase in capital expenditures related to several IT projects, including our Finance enterprise resource planning tool, as well as investments in supply chain, e-commerce and store improvements.

For 2017, net cash used in investing activities decreased by \$83.4 million to \$178.6 million compared to 2016. The decrease in cash used in investing activities was primarily driven by the decrease in cash used for purchases of property and equipment.

Financing Activities

For 2018, net cash used in financing activities increased by \$249.0 million to \$263.9 million. This increase was primarily a result of returning cash to shareholders in the form of stock repurchases and dividends.

For 2017, net cash used in financing activities decreased by \$202.3 million to \$14.9 million. This decrease was primarily a result of lower net repayments on the revolving credit facility and term loan than in the prior year.

Long-Term Debt

As of December 29, 2018, we had a credit rating from Standard & Poor's of BBB- and from Moody's Investor Service of Baa2. The current outlooks by Standard & Poor's and Moody's are both stable. The current pricing grid used to determine our borrowing rate under our revolving credit facility is based on our credit ratings. If these credit ratings decline, our interest rate on outstanding balances may increase and our access to additional financing on favorable terms may become more limited. In addition, it could reduce the attractiveness of certain vendor payment programs whereby third-party institutions finance arrangements to our vendors based on our credit rating, which could result in increased working capital requirements. Conversely, if these credit ratings improve, our interest rate may decrease.

On January 29, 2019, we notified Wells Fargo Bank, N.A., as trustee, of our intent to redeem all \$300.0 million aggregate principal amount of our outstanding 5.75% Notes due 2020. For detailed information refer to Note 7, *Long-term Debt and Fair Value of Financial Instruments*, of the Notes to the Consolidated Financial Statements included herein.

Stock Repurchases

On August 8, 2018, the Company's Board of Directors authorized a \$600 million stock repurchase program. Under this authorization, the Company repurchased 1.7 million shares of its common stock at an aggregate cost of \$272.8 million during 2018. We had \$327.2 million remaining under our stock repurchase program as of December 29, 2018.

Subsequent to December 29, 2018, we have repurchased 0.8 million shares of common stock at an aggregate cost of \$127.2 million through our stock repurchase program.

Off-Balance-Sheet Arrangements

As of December 29, 2018, other than as disclosed in Note 7, *Long-term Debt and Fair Value of Financial Instruments*, of the Notes to the Consolidated Financial Statements included herein, we had no other off-balance-sheet arrangements. We include other off-balance-sheet arrangements in our Contractual Obligations table including operating lease payments and interest payments on our senior unsecured notes, revolving credit facility and letters of credit outstanding.

Contractual Obligations

In addition to our senior unsecured notes and revolving credit facility, we utilize operating leases as another source of financing. The amounts payable under these operating leases are included in our Contractual Obligations table. Our future contractual obligations related to long-term debt, operating leases and other contractual obligations as of December 29, 2018 were as follows:

<i>(in thousands)</i>	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Contractual Obligations					
Long-term debt ⁽¹⁾	\$ 1,050,210	\$ 210	\$ 300,000	\$ 750,000	\$ —
Interest payments	174,375	51,000	76,125	47,250	—
Operating leases ⁽²⁾	2,876,275	520,541	898,707	619,586	837,441
Other long-term liabilities ⁽³⁾	558,165	—	—	—	—
Purchase commitments ⁽⁴⁾	101,516	35,276	34,520	31,720	—
	<u>\$ 4,760,541</u>	<u>\$ 607,027</u>	<u>\$ 1,309,352</u>	<u>\$ 1,448,556</u>	<u>\$ 837,441</u>

Note: For additional information refer to Note 7, *Long-term Debt and Fair Value of Financial Instruments*; Note 12, *Income Taxes*; Note 13, *Lease Commitments*; Note 14, *Contingencies*; and Note 15, *Benefit Plans*, of the Notes to the Consolidated Financial Statements included herein.

- (1) Long-term debt represents the principal amount of our senior unsecured notes, which become due in 2020, 2022 and 2023.
- (2) We lease certain store locations, distribution centers, office space, equipment and vehicles. Our property leases generally contain renewal and escalation clauses and other concessions. These provisions are considered in our calculation of our minimum lease payments that are recognized as expense on a straight-line basis over the applicable lease term. Any lease payments that are based upon an existing index or rate are included in our minimum lease payment calculations.
- (3) Includes the long-term portion of deferred income taxes and other liabilities, including self-insurance reserves for which no contractual payment schedule exists. As we expect the payments to occur beyond 12 months from December 29, 2018, the related balances have not been reflected in the “Payments Due by Period” section of the table.
- (4) Purchase commitments include agreements to purchase goods or services that are enforceable, legally binding and specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Included in the table above is the lesser of the remaining obligation or the cancellation penalty under the agreement.

Critical Accounting Policies

Our financial statements have been prepared in accordance with GAAP. Our discussion and analysis of the financial condition and results of operations are based on these financial statements. The preparation of these financial statements requires the application of accounting policies in addition to certain estimates and judgments by our management. Our estimates and judgments are based on currently available information, historical results and other assumptions we believe are reasonable. Actual results could differ materially from these estimates.

The preparation of our financial statements included the following significant estimates and exercise of judgment.

Goodwill and Indefinite-Lived Intangible Assets

We evaluate goodwill and indefinite-lived intangibles for impairment annually as of the first day of our fourth quarter or whenever events or changes in circumstances indicate the carrying value of the goodwill or other intangible asset may not be recoverable. We test goodwill for impairment at the reporting unit level. Effective in the third quarter of 2017, we realigned our three geographic divisions, which included the operations of the stores operating under the Advance Auto Parts, Carquest and Autopart International trade names, into two U.S. geographic divisions. As a result of this realignment and change in the operating structure of its Carquest Independent and Carquest Canada businesses, we now have five operating segments. As each operating segment represents a reporting unit, goodwill was reassigned to the affected reporting units using a relative fair value approach.

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Our detailed impairment testing involves comparing the fair value of each reporting unit to its carrying value, including goodwill. If a reporting unit's fair value has historically significantly exceeded its carrying value, then a risk-based market approach of determining the reporting unit's fair value is utilized. We use a valuation specialist to determine the fair value for the remaining reporting units. If the fair value exceeds carrying value, we conclude that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, a second step is required to measure possible goodwill impairment loss.

Our indefinite-lived intangible assets primarily consist of the Carquest and Worldpac brands are tested for impairment at the asset group level. Indefinite-lived intangibles are evaluated by comparing the carrying amount of the asset to the future discounted cash flows that the asset is expected to generate. If the fair value based on the future discounted cash flows exceeds the carrying value, we conclude that no intangible asset impairment has occurred. If the carrying value of the indefinite-lived intangible asset exceeds the fair value, we recognize an impairment loss.

We complete our impairment evaluations by combining information from our internal valuation analyses, considering other publicly available market information and using an independent valuation firm. We determine fair value using widely accepted valuation techniques, including discounted cash flows and market multiple analyses. These types of analyses require management to make assumptions as a marketplace participant would and to apply judgment to estimate industry economic factors and the profitability of future business strategies of our Company and our reporting units. These assumptions and estimates are a major component of the derived fair value of our reporting units. Critical assumptions include projected sales growth, gross profit rates, SG&A rates, working capital fluctuations, capital expenditures, discount rates, royalty rates and terminal growth rates. If actual results are not consistent with our estimates or assumptions, we may be exposed to an impairment charge that could be material.

Inventory Reserves

Our inventory consists primarily of parts, batteries, accessories and other products used on vehicles that have reasonably long shelf lives. Although the risk of obsolescence is minimal, we consider whether we may have excess inventory based on our current approach for managing slower moving inventory. We establish reserves when the expected net proceeds are less than carrying value.

Future changes by vendors in their policies or willingness to accept returns of excess inventory, changes in our inventory management approach for excess and obsolete inventory or failure by us to effectively manage the life cycle of our inventory could require us to revise our estimates of required reserves and result in a negative impact on our consolidated statement of operations. A 10% difference in actual inventory reserves at December 29, 2018 would result in a change in expense of approximately \$9.5 million for 2018.

Self-Insurance Reserves

Our self-insurance reserves consist of the estimated exposure for claims filed, claims incurred but not yet reported and projected future claims, and are established using actuarial methods followed in the insurance industry and our historical claims experience. Specific factors include, but are not limited to, assumptions about health care costs, the severity of accidents and the incidence of illness and the average size of claims. Generally, claims for automobile and general liability and workers' compensation take several years to settle. We classify the portion of our self-insurance reserves that is not expected to be settled within one year in long-term liabilities.

While we do not expect the amounts ultimately paid to differ significantly from our estimates, our self-insurance reserves and corresponding SG&A could be affected if future claim experience differs significantly from historical trends and actuarial assumptions. A 10% change in our self-insurance liabilities at December 29, 2018 would result in a change in expense of approximately \$15.4 million for 2018.

Vendor Incentives

We receive incentives in the form of reductions to amounts owed and/or payments from vendors related to volume rebates and other promotional considerations. Many of these incentives are under agreements with terms in excess of one year, while others are negotiated on an annual basis or less. Volume rebates and vendor promotional allowances not offsetting in SG&A are earned based on inventory purchases and initially recorded as a reduction to inventory. These deferred amounts are included as a reduction to cost of sales as the inventory is sold.

Vendor promotional allowances provided as a reimbursement of specific, incremental and identifiable costs incurred to promote a vendor's products are included as an offset to SG&A when the cost is incurred if the fair value of that benefit can be reasonably estimated. Certain of our vendor agreements contain purchase volume incentives that provide for increased funding when graduated purchase volumes are met. Amounts accrued throughout the year could be impacted if actual purchase volumes differ from projected annual purchase volumes.

Similarly, we recognize other promotional incentives earned under long-term agreements as a reduction to cost of sales. However, these incentives are recognized based on the cumulative net purchases as a percentage of total estimated net purchases over the life of the agreement. Short-term incentives with terms less than one year are generally recognized as a reduction to cost of sales over the duration of the agreements.

Amounts received or receivable from vendors that are not yet earned are reflected as deferred revenue. Management's estimate of the portion of deferred revenue that will be realized within one year of the balance sheet date is included in Other current liabilities. Earned amounts that are receivable from vendors are included in Receivables, net except for that portion expected to be received after one year, which is included in Other assets, net. We regularly review the receivables from vendors to ensure they are able to meet their obligations. Historically, the change in our reserve for receivables related to vendor funding has not been significant.

New Accounting Pronouncements

For a description of recently adopted and issued accounting standards, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see "*Recently Issued Accounting Pronouncements*" in Note 2, *Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements included herein.

Item 7A. Quantitative and Qualitative Disclosures about Market Risks.

We are subject to interest rate risk to the extent we borrow against our revolving credit facility as it is based, at our option, on adjusted LIBOR, plus a margin, or an alternate base rate, plus a margin. As of December 29, 2018 and December 30, 2017, we had no borrowings outstanding under our revolving credit facility.

Our financial assets that are exposed to credit risk consist primarily of trade accounts receivable and vendor receivables. We are exposed to normal credit risk from customers. Our concentration of credit risk is limited because our customer base consists of a large number of customers with relatively small balances, which allows the credit risk to be spread across a broad base. We have not historically had significant credit losses.

We are exposed to foreign currency exchange rate fluctuations for the portion of our inventory purchases denominated in foreign currencies. We believe that the price volatility relating to foreign currency exchange rates is partially mitigated by our ability to adjust selling prices. During 2018, 2017 and 2016, foreign currency transactions did not significantly impact net income.

Item 8. Financial Statements and Supplementary Data.

See financial statements included in Item 15 "*Exhibits, Financial Statement Schedules*" of this annual report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Internal controls over financial reporting, no matter how well designed, have inherent limitations, including the possibility of human error and the override of controls. Therefore, even

those systems determined to be effective can provide only “reasonable assurance” with respect to the reliability of financial reporting and financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness may vary over time.

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of December 29, 2018. Based on this evaluation, our principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13(a) - 15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, to provide “reasonable assurance” regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide “reasonable assurance” regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

As of December 29, 2018, management, including our principal executive officer and principal financial officer, assessed the effectiveness of the Company’s internal control over financial reporting based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that our internal control over financial reporting as of December 29, 2018 is effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of Registered Public Accounting Firm

Our internal control over financial reporting as of December 29, 2018 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, which also audited our Consolidated Financial Statements for the year ended December 29, 2018, as stated in their report included herein, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 29, 2018.

Item 9B. Other Information.

Refer to discussion in Note 4, *Exit Activities and Other Initiatives*, of the Notes to the Consolidated Financial Statements included herein.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

For a discussion of our directors, executive officers and corporate governance, see the information set forth in the sections entitled “Proposal No. 1 - Election of Directors,” “Corporate Governance,” “Meetings and Committees of the Board,” “Information Concerning Our Executive Officers,” “Audit Committee Report,” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our proxy statement for the 2019 annual meeting of stockholders to be filed with the SEC within 120 days after the end of the year ended December 29, 2018 (the “2019 Proxy Statement”), which is incorporated herein by reference.

Item 11. Executive Compensation.

See the information set forth in the sections entitled “Meetings and Committees of the Board,” “Compensation Committee Report,” “Compensation Discussion and Analysis,” “Additional Information Regarding Executive Compensation” and “Director Compensation” in the 2019 Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

See the information set forth in the sections entitled “Equity Compensation Plan Information Table” and “Security Ownership of Certain Beneficial Owners and Management” in the 2019 Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

See the information set forth in the sections entitled “Corporate Governance” and “Meetings and Committees of the Board” in the 2019 Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

See the information set forth in the section entitled “2018 and 2017 Audit Fees” in the 2019 Proxy Statement, which is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

Audited Consolidated Financial Statements of Advance Auto Parts, Inc. and Subsidiaries for the years ended December 29, 2018, December 30, 2017 and December 31, 2016:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Advance Auto Parts, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Advance Auto Parts, Inc. and subsidiaries (the "Company") as of December 29, 2018 and December 30, 2017, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 29, 2018, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 19, 2019

We have served as the Company's auditor since 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Advance Auto Parts, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Advance Auto Parts, Inc. and subsidiaries (the “Company”) as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 29, 2018, of the Company and our report dated February 19, 2019, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 19, 2019

Advance Auto Parts, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except per share data)

<u>Assets</u>	<u>December 29, 2018</u>	<u>December 30, 2017</u>
Current assets:		
Cash and cash equivalents	\$ 896,527	\$ 546,937
Receivables, net	624,972	606,357
Inventories	4,362,547	4,168,492
Other current assets	198,408	105,106
Total current assets	6,082,454	5,426,892
Property and equipment, net of accumulated depreciation of \$1,918,502 and \$1,783,383	1,368,985	1,394,138
Goodwill	990,237	994,293
Intangible assets, net	550,593	597,674
Other assets, net	48,379	69,304
	<u>\$ 9,040,648</u>	<u>\$ 8,482,301</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 3,172,790	\$ 2,894,582
Accrued expenses	623,141	533,548
Other current liabilities	90,019	51,967
Total current liabilities	3,885,950	3,480,097
Long-term debt	1,045,720	1,044,327
Deferred income taxes	318,353	303,620
Other long-term liabilities	239,812	239,061
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; 75,831 shares issued and 72,460 outstanding at December 29, 2018 75,569 shares issued and 73,936 outstanding at December 30, 2017	8	8
Additional paid-in capital	694,797	664,646
Treasury stock, at cost, 3,371 and 1,633 shares	(425,954)	(144,600)
Accumulated other comprehensive loss	(44,193)	(24,954)
Retained earnings	3,326,155	2,920,096
Total stockholders' equity	3,550,813	3,415,196
	<u>\$ 9,040,648</u>	<u>\$ 8,482,301</u>

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

Advance Auto Parts, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net sales	\$ 9,580,554	\$ 9,373,784	\$ 9,567,679
Cost of sales , including purchasing and warehousing costs	5,361,141	5,288,735	5,311,764
Gross profit	4,219,413	4,085,049	4,255,915
Selling, general and administrative expenses	3,615,138	3,514,837	3,468,317
Operating income	604,275	570,212	787,598
Other, net:			
Interest expense	(56,588)	(58,801)	(59,910)
Other income, net	7,577	8,848	11,147
Total other, net	(49,011)	(49,953)	(48,763)
Income before provision for income taxes	555,264	520,259	738,835
Provision for income taxes	131,417	44,754	279,213
Net income	<u>\$ 423,847</u>	<u>\$ 475,505</u>	<u>\$ 459,622</u>
Basic earnings per common share	\$ 5.75	\$ 6.44	\$ 6.22
Weighted average common shares outstanding	73,728	73,846	73,562
Diluted earnings per common share	\$ 5.73	\$ 6.42	\$ 6.20
Weighted average common shares outstanding	73,991	74,110	73,856

Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net income	\$ 423,847	\$ 475,505	\$ 459,622
Other comprehensive (loss) income:			
Changes in net unrecognized other postretirement benefit costs, net of tax of \$103, \$126 and \$346	(294)	(194)	(534)
Currency translation adjustments	(18,945)	14,941	4,892
Total other comprehensive (loss) income	(19,239)	14,747	4,358
Comprehensive income	<u>\$ 404,608</u>	<u>\$ 490,252</u>	<u>\$ 463,980</u>

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

Advance Auto Parts, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except per share data)

	Common Stock		Additional Paid-in Capital	Treasury Stock, at cost	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance, January 2, 2016	73,314	\$ 7	\$ 603,332	\$ (119,709)	\$ (44,059)	\$ 2,021,077	\$ 2,460,648
Net income	—	—	—	—	—	459,622	459,622
Total other comprehensive loss	—	—	—	—	4,358	—	4,358
Issuance of shares upon the exercise of stock appreciation rights	149	1	—	—	—	—	1
Tax withholdings related to the exercise of stock appreciation rights	—	—	(19,558)	—	—	—	(19,558)
Tax benefit from share-based compensation, net	—	—	22,325	—	—	—	22,325
Restricted stock, restricted stock units and deferred stock units vested	372	—	—	—	—	—	—
Share-based compensation	—	—	20,422	—	—	—	20,422
Stock issued under employee stock purchase plan	30	—	4,369	—	—	—	4,369
Repurchase of common stock	(116)	—	—	(18,393)	—	—	(18,393)
Cash dividends declared (\$0.24 per common share)	—	—	—	—	—	(17,764)	(17,764)
Other	—	—	162	—	—	—	162
Balance, December 31, 2016	73,749	8	631,052	(138,102)	(39,701)	2,462,935	2,916,192
Net income	—	—	—	—	—	475,505	475,505
Cumulative effect of accounting change from adoption of ASU 2016-09	—	—	782	—	—	(490)	292
Total other comprehensive loss	—	—	—	—	14,747	—	14,747
Issuance of shares upon the exercise of stock appreciation rights	67	—	—	—	—	—	—
Tax withholdings related to the exercise of stock appreciation rights	—	—	(6,531)	—	—	—	(6,531)
Restricted stock units and deferred stock units vested	147	—	—	—	—	—	—
Share-based compensation	—	—	35,267	—	—	—	35,267
Stock issued under employee stock purchase plan	29	—	4,053	—	—	—	4,053
Repurchase of common stock	(56)	—	—	(6,498)	—	—	(6,498)
Cash dividends declared (\$0.24 per common share)	—	—	—	—	—	(17,854)	(17,854)
Other	—	—	23	—	—	—	23
Balance, December 30, 2017	73,936	8	664,646	(144,600)	(24,954)	2,920,096	3,415,196
Net income	—	—	—	—	—	423,847	423,847
Total other comprehensive loss	—	—	—	—	(19,239)	—	(19,239)
Issuance of shares upon the exercise of stock appreciation rights	11	—	—	—	—	—	—
Tax withholdings related to the exercise of stock appreciation rights	—	—	(773)	—	—	—	(773)
Restricted stock units and deferred stock units vested	215	—	—	—	—	—	—
Share-based compensation	—	—	27,760	—	—	—	27,760
Stock issued under employee stock purchase plan	36	—	3,200	—	—	—	3,200
Repurchase of common stock	(1,738)	—	—	(281,354)	—	—	(281,354)
Cash dividends declared (\$0.24 per common share)	—	—	—	—	—	(17,788)	(17,788)
Other	—	—	(36)	—	—	—	(36)
Balance, December 29, 2018	72,460	\$ 8	\$ 694,797	\$ (425,954)	\$ (44,193)	\$ 3,326,155	\$ 3,550,813

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

Advance Auto Parts, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Cash flows from operating activities:			
Net income	\$ 423,847	\$ 475,505	\$ 459,622
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	238,184	249,260	258,387
Share-based compensation	27,760	35,267	20,452
Loss and impairment of long-lived assets	15,956	17,106	5,999
Other, net	2,195	3,123	(2,039)
Provision (benefit) for deferred income taxes	15,956	(151,263)	20,213
Net change in:			
Receivables, net	(21,471)	36,047	(41,642)
Inventories	(206,125)	167,548	(144,603)
Accounts payable	285,493	(197,168)	(119,325)
Accrued expenses	93,940	(13,295)	49,341
Other assets and liabilities, net	(64,707)	(21,325)	16,898
Net cash provided by operating activities	811,028	600,805	523,303
Cash flows from investing activities:			
Purchases of property and equipment	(193,715)	(189,758)	(259,559)
Proceeds from sales of property and equipment	1,888	11,099	2,212
Other, net	—	20	(4,697)
Net cash used in investing activities	(191,827)	(178,639)	(262,044)
Cash flows from financing activities:			
Increase (decrease) in bank overdrafts	32,014	14,004	(5,573)
Borrowings under credit facilities	—	534,400	799,600
Payments on credit facilities	—	(534,400)	(959,600)
Dividends paid	(17,819)	(17,854)	(17,738)
Proceeds from the issuance of common stock	3,200	4,076	4,532
Tax withholdings related to the exercise of stock appreciation rights	(773)	(6,531)	(19,558)
Repurchase of common stock	(281,354)	(6,498)	(18,393)
Other, net	817	(2,069)	(390)
Net cash used in financing activities	(263,915)	(14,872)	(217,120)
Effect of exchange rate changes on cash	(5,696)	4,465	257
Net increase in cash and cash equivalents	349,590	411,759	44,396
Cash and cash equivalents, beginning of period	546,937	135,178	90,782
Cash and cash equivalents, end of period	\$ 896,527	\$ 546,937	\$ 135,178
Supplemental cash flow information:			
Interest paid	\$ 45,322	\$ 53,509	\$ 55,457
Income tax payments	\$ 143,213	\$ 192,116	\$ 225,327
Non-cash transactions:			
Accrued purchases of property and equipment	\$ 15,365	\$ 14,335	\$ 21,176

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

1. Nature of Operations and Basis of Presentation:

Description of Business

Advance Auto Parts, Inc. and subsidiaries is a leading automotive aftermarket parts provider in North America, serving both professional installers, or Professional, and “do-it-yourself,” or DIY customers. The accompanying consolidated financial statements have been prepared by us and include the accounts of Advance Auto Parts, Inc., its wholly owned subsidiary, Advance Stores Company, Incorporated (“Advance Stores”), and its subsidiaries (collectively referred to as “Advance,” “we,” “us,” or “our”).

As of December 29, 2018, our operations are comprised of 4,966 stores and 143 distribution branches primarily within the United States, with additional locations in Canada, Puerto Rico and the U.S. Virgin Islands. Our stores operate primarily under the trade names “Advance Auto Parts,” “Carquest” and “Autopart International,” and our distribution branches operate under the “Worldpac” trade name. In addition, we served 1,231 independently owned Carquest branded stores across the same geographic locations served by our stores in addition to Mexico, the Bahamas, Turks and Caicos, the British Virgin Islands and the Pacific Islands.

Accounting Period

Our fiscal year ends on the Saturday nearest the end of December. All references herein for the years “2018,” “2017” and “2016” represent the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, which were all 52 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of Advance and its wholly owned subsidiaries prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

2. Significant Accounting Policies:

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and money market funds with original maturities of three months or less. Also included in cash equivalents are credit card and debit card receivables from banks, which generally settle in less than four business days.

Inventory

Our inventory consists primarily of parts, batteries, accessories and other products used on vehicles that have reasonably long shelf lives and is stated at the lower of cost or market. The cost of our merchandise inventory is primarily determined using the last-in, first-out (“LIFO”) method. Under the LIFO method, our cost of sales reflects the costs of the most recently purchased inventories, while the inventory carrying balance represents the costs relating to prices paid in 2018 and prior years. We regularly review inventory quantities on-hand, consider whether we may have excess inventory based on our current approach for managing slower moving inventory and adjusts the carrying value as necessary.

Vendor Incentives

We receive incentives in the form of reductions to amounts owed to and/or payments from vendors related to volume rebates and other promotional considerations. Many of these incentives are under long-term agreements in excess of one year, while others are negotiated on an annual basis or shorter. Advertising allowances provided as a reimbursement of specific, incremental and identifiable costs incurred to promote a vendor's products are included as an offset to selling, general and administrative expenses ("SG&A") when the cost is incurred. Volume rebates and allowances that do not meet the requirements for offsetting in SG&A are recorded as a reduction to inventory as they are earned based on inventory purchases. Total deferred vendor incentives included as a reduction of Inventories were \$164.1 million and \$179.2 million as of December 29, 2018 and December 30, 2017.

We recognize other promotional incentives earned under long-term agreements not specifically related to volume of purchases as a reduction to cost of sales. However, these incentives are not deferred as a reduction of inventory and are recognized based on the cumulative net purchases as a percentage of total estimated net purchases over the life of the agreement. Short-term incentives with terms less than one year are generally recognized as a reduction to cost of sales over the duration of the agreements. Amounts received or receivable from vendors that are not yet earned are reflected as deferred revenue in the accompanying consolidated balance sheets.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged directly to expense when incurred; major improvements are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the account balances, with any gain or loss reflected in the consolidated statements of operations.

Depreciation of land improvements, buildings, furniture, fixtures and equipment, and vehicles is provided over the estimated useful lives of the respective assets using the straight-line method. Depreciation of building and leasehold improvements is provided over the shorter of the original useful lives of the respective assets or the term of the lease using the straight-line method.

Goodwill and Indefinite-Lived Intangible Assets

We perform our evaluation for the impairment of goodwill and indefinite-lived intangible assets for our reporting units annually as of the first day of the fourth quarter, or when indications of potential impairment exist. These indicators would include a significant change in operating performance, the business climate, legal factors, competition, or a planned sale or disposition of a significant portion of the business, among other factors. We assess qualitative factors such as current company performance and overall economic factors to determine if it is more-likely-than-not that the goodwill might be impaired and whether it is necessary to perform the step one quantitative goodwill impairment test. In the quantitative goodwill test, we compare the carrying value of a reporting unit to its fair value. If the carrying value of the reporting unit exceeds the estimated fair value, a second step is performed, which compares the implied fair value of goodwill to the carrying value, to determine the amount of impairment. Our indefinite-lived intangible assets are tested for impairment at the asset group level. Indefinite-lived intangibles are evaluated by comparing the carrying amount of the asset to the future discounted cash flows that the asset is expected to generate. If the fair value based on the future discounted cash flows exceeds the carrying value, we conclude that no intangible asset impairment has occurred. If the carrying value of the indefinite-lived intangible asset exceeds the fair value, we recognize an impairment loss.

Effective in the third quarter of 2017, we realigned our three geographic divisions, which included the operations of the stores operating under the Advance Auto Parts, Carquest and Autopart International trade names, into two U.S. geographic divisions. As a result of this realignment and change in the operating structure of its Carquest Independent and Carquest Canada businesses, we now have five operating segments, and defined them as "Northern Division," "Southern Division," "Carquest Canada," "Independents" and "Worldpac." As each operating segment represents a reporting unit, goodwill was reassigned to the affected reporting units using a relative fair value approach.

Valuation of Long-Lived Assets

We evaluate the recoverability of our long-lived assets, including finite-lived intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable and exceeds its fair value. When such an event occurs, we estimate the undiscounted future cash flows expected to result from the use of the long-lived asset or asset group and its eventual disposition. These impairment evaluations involve estimates of asset useful lives and future cash flows. If the undiscounted expected future cash flows are less than the carrying amount of the asset and the carrying amount of the asset exceeds its fair value, an impairment loss is recognized. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on quoted market prices or other valuation techniques (e.g., discounted cash flow analysis).

Self-Insurance

We are self-insured for general and automobile liability, workers' compensation and health care claims of its employees, or Team Members, while maintaining stop-loss coverage with third-party insurers to limit its total liability exposure. Expenses associated with these liabilities are calculated for (i) claims filed, (ii) claims incurred but not yet reported and (iii) projected future claims using actuarial methods followed in the insurance industry as well as our historical claims experience. We include the current and long-term portions of its self-insurance reserves in Accrued expenses and Other long-term liabilities.

Warranty Liabilities

The warranty obligation on the majority of merchandise sold by us with a manufacturer's warranty is the responsibility of our vendors. However, we have an obligation to provide customers replacement of certain merchandise at no cost or merchandise at a prorated cost if under a warranty and not covered by the manufacturer. Merchandise sold with warranty coverage by us primarily includes batteries, but may also include other parts such as brakes and shocks. We estimate our warranty obligation at the time of sale based on the historical return experience, sales level and cost of the respective product sold. To the extent vendors provide upfront allowances in lieu of accepting the obligation for warranty claims and the allowance is in excess of the related warranty expense, the excess is recorded as a reduction to cost of sales.

Leases

We lease certain store locations, distribution centers, office spaces, equipment and vehicles. The total amount of minimum rent is expensed on a straight-line basis over the initial term of the lease unless external economic factors exist such that renewals are reasonably assured. In those instances, the renewal period would be included in the lease term for purposes of establishing an amortization period and determining if such lease qualified as a capital or operating lease. Differences between the calculated rent expense and cash payments are recorded as a liability within the Accrued expenses and Other long-term liabilities captions in the accompanying consolidated balance sheets, based on the terms of the lease. Most leases require us to pay taxes, maintenance, insurance and certain other expenses applicable to the leased premises. Management expects that in the normal course of business leases that expire will be renewed or replaced by other leases.

Fair Value Measurements

A three-level valuation hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions based on the best evidence available. These two types of inputs create the following fair value hierarchy: Level 1 - Quoted prices for identical instruments in active markets; Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose significant inputs are observable; and Level 3 - Instruments whose significant inputs are unobservable. Financial instruments are transferred in and/or out of Level 1, 2 or 3 at the beginning of the accounting period in which there is a change in the valuation inputs.

Closed Facility Liabilities and Exit Activities

We continually review the operating performance of our existing store locations and close or relocate certain stores identified as underperforming. Expenses accrued pertaining to closed facility exit activities are included in our closed facility liabilities, within Accrued expenses and Other long-term liabilities in the accompanying consolidated balance sheets, and recognized in Cost of sales or SG&A in the accompanying consolidated statements of operations at the time of facility closure. Closed facility liabilities include the present value of the remaining lease obligations and management's estimate of future costs of insurance, property tax and common area maintenance expenses, reduced by the present value of estimated revenues from subleases and lease buyouts.

Employees receiving severance benefits as the result of a store closing or other restructuring activity are required to render service until they are terminated in order to receive benefits. Severance benefits are recognized over the related service period. Other restructuring costs, including costs to relocate employees, are recognized in the period in which the liability is incurred.

Share-Based Payments

We provide share-based compensation to our eligible Team Members and Board of Directors. We are required to exercise judgment and make estimates when determining the (i) fair value of each award granted and (ii) projected number of awards expected to vest. We calculate the fair value of all share-based awards at the date of grant and use the straight-line method to amortize this fair value as compensation cost over the requisite service period.

Revenues

Revenue for periods through December 30, 2017 was reported under Accounting Standards Codification ("ASC") 605, *Revenue Recognition (Topic 605)*. We recognized revenue at the time the sale is made, at which time our walk-in customers took immediate possession of the merchandise or same-day delivery was made to our Professional delivery customers, which included certain independently owned store locations. For e-commerce sales, revenue was recognized either at the time of pick-up at one of our store locations or at the time of shipment depending on the customer's order designation. Sales were recorded net of discounts, sales incentives and rebates, sales taxes and estimated returns and allowances. We estimated the reduction to sales and cost of sales for returns based on current sales levels and our historical return experience.

Effective December 31, 2017, we adopted ASC 606, *Revenue From Contracts With Customers (Topic 606)* ("ASC 606"). The results of applying Topic 606 using the modified retrospective approach were insignificant and did not have a material impact on our consolidated financial condition, results of operations, cash flows, business process, controls or systems.

ASC 606 defines a performance obligation as a promise in a contract to transfer a distinct good or service to the customer and is considered the unit of account. The majority of our contracts have one single performance obligation as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct. Discounts and incentives are treated as separate performance obligations. We allocate the contract's transaction price to each of these performance obligations separately using explicitly stated amounts or our best estimate using historical data. Additionally, we estimate and record gift card breakage as redemptions occur.

In accordance with ASC 606 revenue is recognized at the time the sale is made, at which time our walk-in customers take immediate possession of the merchandise or same-day delivery is made to our Professional delivery customers, which include certain independently-owned store locations. Payment terms are established for our Professional delivery customers based on pre-established credit requirements. Payment terms vary depending on the customer and generally range from 1 to 30 days. Based on the nature of receivables, no significant financing components exist. For e-commerce sales, revenue is recognized either at the time of pick-up at one of our store locations or at the time of shipment depending on the customer's order designation. Sales are recorded net of discounts, sales incentives and rebates, sales taxes and estimated returns and allowances. We estimate the reduction to Net sales and Cost of sales for returns based on current sales levels and our historical return experience.

We provide assurance type warranty coverage primarily on batteries, brakes and struts whereby we are required to provide replacement product at no cost or a reduced cost for a set period of time.

The following table summarizes financial information for each of our product groups.

Percentage of Sales, by Product Group	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Parts and Batteries	66%	65%	66%
Accessories and Chemicals	20%	20%	19%
Engine Maintenance	13%	14%	14%
Other	1%	1%	1%
Total	100%	100%	100%

Receivables, net consist primarily of receivables from Professional customers. We grant credit to certain Professional customers who meet our pre-established credit requirements. Accounts receivable is stated at net realizable value. We regularly review accounts receivable balances and maintains allowances for doubtful accounts for estimated losses whenever events or circumstances indicate the carrying value may not be recoverable. We consider the following factors when determining if collection is reasonably assured: customer creditworthiness, past transaction history with the customer, current economic and industry trends and changes in customer payment terms. We control credit risk through credit approvals, credit limits and accounts receivable and credit monitoring procedures.

Cost of Sales

Cost of sales includes actual product cost, warranty costs, vendor incentives, cash discounts on payments to vendors, costs associated with operating our distribution network, including payroll and benefits costs, occupancy costs and depreciation, in-bound freight-related costs from our vendors, impairment of inventory resulting from store closures and costs associated with moving merchandise inventories from our distribution centers to stores, branch locations and customers.

Selling, General and Administrative Expenses

SG&A includes payroll and benefits costs for store and corporate Team Members, occupancy costs of store and corporate facilities, depreciation and amortization related to store and corporate assets, share-based compensation expense, advertising, self-insurance, costs of consolidating, converting or closing facilities, including early termination of lease obligations, severance and impairment charges, professional services and costs associated with our Professional delivery program, including payroll and benefit costs, and transportation expenses associated with moving merchandise inventories from stores and branches to customer locations.

Advertising Costs

We expense advertising costs as incurred. Advertising expense, net of qualifying vendor promotional funds, was \$120.9 million, \$102.8 million and \$97.0 million in 2018, 2017 and 2016. Vendor promotional funds, which reduced advertising expense, amounted to \$26.9 million and \$33.3 million and \$29.3 million in 2018, 2017 and 2016.

Foreign Currency Translation

The assets and liabilities of our foreign operations are translated into U.S. dollars at current exchange rates, and revenues, expenses and cash flows are translated at average exchange rates for the year. Resulting translation adjustments are reflected as a separate component in the Consolidated Statements of Comprehensive Income. Losses from foreign currency transactions, which are included in Other income, net, were \$5.0 million during 2018 and \$4.0 million during 2017.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under the asset and liability method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred income taxes reflect the net income tax effect of temporary differences between the basis of assets and liabilities for financial reporting purposes and for income tax reporting purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period of the enactment date.

We recognize tax benefits and/or tax liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts as we must determine the probability of various possible outcomes.

We reevaluate these uncertain tax positions on a quarterly basis or when new information becomes available to management. The reevaluations are based on many factors, including but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit, expirations due to statutes of limitations and new federal or state audit activity. Any change in either our recognition or measurement could result in the recognition of a tax benefit or an increase to the tax accrual.

Earnings per Share

Basic earnings per share of common stock has been computed based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by including the effect of dilutive securities. Diluted earnings per share of common stock reflects the weighted-average number of shares of common stock outstanding, outstanding deferred stock units and the impact of outstanding stock options and stock appreciation rights (collectively "share-based awards"). Share-based awards containing performance conditions are included in the dilution impact as those conditions are met.

Segment Information

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") for purposes of allocating resources and evaluating financial performance. Our CODM, the Chief Executive Officer, reviews financial information presented on a consolidated basis, accompanied by information about our five operating segments, for purposes of allocating resources and evaluating financial performance.

We have one reportable segment as the five operating segments are aggregated due primarily to the economic and operational similarities of each operating segment as the stores and branches have similar characteristics, including the nature of the products and services, customer base and the methods used to distribute products and provide service to its customers.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). This ASU is a comprehensive new accounting standard with respect to leases that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It will require lessees to recognize lease assets and lease liabilities for most leases, including those leases previously classified as operating leases under current GAAP. ASU 2016-02 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in previous lease guidance. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those years; earlier adoption is permitted.

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides clarifications and improvements to ASU 2016-02 including allowing entities to elect an additional transition method with which to adopt ASU 2016-02. The approved transition method enables entities to apply the transition requirements in this ASU at the effective date of ASU 2016-02 (rather than at the beginning of the earliest comparative period presented as currently required) with the effect of initially applying ASU 2016-02 recognized as a cumulative-effect adjustment to retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the year of adoption would continue to be in accordance with ASC 840, *Leases (Topic 840)* ("ASC 840"), including the disclosure requirements of ASC 840. Using this transition method, we plan to adopt ASU 2016-02 at the beginning of 2019. We also plan to elect the package of practical expedients permitted under the transition guidance within the new standard. In addition, as a practical expedient relating to our facility and vehicle leases, we plan to not separate lease components from nonlease components. This practical expedient was not elected for our equipment leases.

We are in process of finalizing the implementation of our leasing software solution and are continuing to identify changes to our business processes, systems and controls to support adoption of the new standard in 2019. We are evaluating the impact that the new standard will have on the consolidated financial statements. Based on our initial evaluation, upon adoption of ASU 2016-02, we anticipate recording lease assets and liabilities of approximately \$2.5 billion on our consolidated balance sheet, primarily relating to real estate. As the majority of our leases will remain operating in nature and the expense recognition will be similar to the straight-line expense treatment that was previously required, we expect an insignificant impact to our consolidated statements of operations and cash flows.

In March 2018, the FASB issued ASU 2018-05, *Income Taxes (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118* ("SAB 118"). ASU 2018-05 provides guidance on accounting for the tax effects of the U.S. Tax Cuts and Jobs Act (the "Act") pursuant to the Staff Accounting Bulletin No. 118, which allows companies to complete the accounting under ASC 740, *Income Taxes (Topic 740)* within a one-year measurement period from the Act enactment date, which occurred in the financial statements for the year ended December 30, 2017. During 2018, and in conjunction with the completion of our 2017 U.S. income tax return, we identified certain adjustments to amounts previously estimated for the remeasurement of the net deferred tax liability and nonrecurring repatriation tax on accumulated earnings of foreign subsidiaries that resulted in a net tax benefit of \$5.7 million and reflects a change in estimate. Our analysis under SAB 118 is complete.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718)* to expand the scope of ASC 718, *Compensation - Stock Compensation (Topic 718)* ("ASU 2018-07"), to include share-based payment transactions for acquiring goods and services from nonemployees. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. We elected to early adopt ASU 2018-07 in the second quarter of 2018. The results of applying ASU 2018-07 were insignificant and did not have a material impact on our consolidated financial condition, results of operations, cash flows, business process, controls or systems.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The pronouncement is effective for years, and for interim periods within those years, beginning after December 15, 2019, with early adoption permitted. We elected to early adopt ASU 2018-15 in the third quarter of 2018 on a prospective basis. The results of applying ASU 2018-15 were insignificant and did not have a material impact on our consolidated financial condition, results of operations, cash flows, business process, controls or systems.

3. Inventories:

We used the LIFO method of accounting for approximately 89% and 88% of inventories at December 29, 2018 and December 30, 2017. As a result of changes in the LIFO reserve, we recorded a decrease to cost of sales of \$39.8 million in 2018, an increase to cost of sales of \$2.7 million in 2017 and a decrease to cost of sales of \$40.7 million in 2016.

Purchasing and warehousing costs included in inventory as of December 29, 2018 and December 30, 2017, were \$435.2 million and \$429.8 million.

Inventory balances were as follows:

<i>(in thousands)</i>	December 29, 2018	December 30, 2017
Inventories at first in, first out (“FIFO”)	\$ 4,119,617	\$ 3,965,370
Adjustments to state inventories at LIFO	242,930	203,122
Inventories at LIFO	<u>\$ 4,362,547</u>	<u>\$ 4,168,492</u>

4. Exit Activities and Other Initiatives:

2018 Store Rationalization

During the fourth quarter of 2018, the Board of Directors approved a plan to close certain underperforming stores as part of our strategy to transform the enterprise. As of December 29, 2018, total charges related to these actions are expected to total up to approximately \$50 million, which consists of \$35 million relating to future lease obligations that will be amortized over the remaining lease term upon store closure, \$10 million of other facility closures costs and \$5 million of severance. During 2018, no stores had been closed in connection with this initiative; however, we recorded an impairment charge of \$7.9 million as part of our plan to close certain underperforming stores, which were included in SG&A in the accompanying consolidated statements of operations.

2017 Store and Supply Chain Rationalization

During the fourth quarter of 2017, the Board of Directors approved a plan to close certain underperforming stores and begin to rationalize our supply chain costs as part of our strategy to transform the enterprise. As of December 29, 2018, total charges related to these actions are expected to total up to approximately \$70 million, which consist of \$35 million relating to the early termination of lease obligations, \$15 million of inventory and supply chain asset impairment charges, \$15 million of other facility closure costs and \$5 million of severance.

During 2018, we incurred \$25.5 million of early termination of lease obligation charges, \$8.9 million of inventory and supply chain asset impairment charges, \$13.6 million of facility closure costs and \$3.5 million of severance relating to the store and supply chain rationalization. Of these costs, \$44.8 million are included in SG&A and \$6.7 million are included in Cost of sales in the accompanying consolidated statements of operations.

During 2017, no stores or distribution centers had been closed in connection with this initiative; however, we recorded an impairment charge of \$6.9 million as part of our plan to close certain underperforming stores, which were included in SG&A in the accompanying consolidated statements of operations.

Total Exit Liabilities

Our total exit liabilities include liabilities recorded in connection with the initiatives described above, along with liabilities associated with facility closures that have occurred as part of our normal market evaluation process. Cash payments on the closed facility lease obligations are expected to be made through 2028 and the remaining severance payments are expected to be made in 2019. Of our total exit liabilities as of December 29, 2018, \$27.0 million is included in Other long-term liabilities and the remainder is included in Accrued expenses in the accompanying consolidated balance sheets. A summary of our exit liabilities are presented in the following table:

<i>(in thousands)</i>	Closed Facility Lease Obligations	Severance	Total
Balance, December 31, 2016	\$ 44,265	\$ 959	\$ 45,224
Reserves established	7,940	7,927	15,867
Change in estimates	(1,116)	(699)	(1,815)
Cash payments	(19,519)	(6,542)	(26,061)
Balance, December 30, 2017	31,570	1,645	33,215
Reserves established	25,285	6,600	31,885
Change in estimates	1,664	(324)	1,340
Cash payments	(16,217)	(4,532)	(20,749)
Balance, December 29, 2018	<u>\$ 42,302</u>	<u>\$ 3,389</u>	<u>\$ 45,691</u>

5. Goodwill and Intangible Assets:

Goodwill

At December 29, 2018 and December 30, 2017, the carrying amount of goodwill was \$990.2 million and \$994.3 million. The change in goodwill during 2018 and 2017 was \$4.1 million and \$3.4 million related to foreign currency translation.

Intangible Assets Other Than Goodwill

Amortization expense was \$40.7 million, \$47.4 million and \$48.0 million for 2018, 2017 and 2016. A summary of the composition of the gross carrying amounts and accumulated amortization of acquired intangible assets are presented in the following table:

<i>(in thousands)</i>	December 29, 2018			December 30, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:						
Customer relationships	\$ 349,157	\$ (148,889)	\$ 200,268	\$ 351,203	\$ (116,909)	\$ 234,294
Favorable leases	27,139	(12,791)	14,348	32,512	(14,959)	17,553
Non-compete and other	37,875	(36,974)	901	54,929	(46,389)	8,540
	414,171	(198,654)	215,517	438,644	(178,257)	260,387
Indefinite-lived intangible assets:						
Brands, trademark and tradenames	335,076	—	335,076	337,287	—	337,287
Total intangible assets	<u>\$ 749,247</u>	<u>\$ (198,654)</u>	<u>\$ 550,593</u>	<u>\$ 775,931</u>	<u>\$ (178,257)</u>	<u>\$ 597,674</u>

Future Amortization Expense

The table below shows expected amortization expense for the next five years and thereafter for acquired intangible assets recorded as of December 29, 2018:

<u>Year</u>	<u>Amount</u>
<i>(in thousands)</i>	
2019	\$ 32,475
2020	32,277
2021	31,727
2022	31,574
2023	28,616
Thereafter	58,848
	<u>\$ 215,517</u>

6. Receivables, net:

Receivables, net consist of the following:

<i>(in thousands)</i>	<u>December 29, 2018</u>	<u>December 30, 2017</u>
Trade	\$ 397,909	\$ 389,963
Vendor	228,024	220,510
Other	17,081	14,103
Total receivables	643,014	624,576
Less: allowance for doubtful accounts	(18,042)	(18,219)
Receivables, net	<u>\$ 624,972</u>	<u>\$ 606,357</u>

7. Long-term Debt and Fair Value of Financial Instruments:

Long-term debt consists of the following:

<i>(in thousands)</i>	<u>December 29, 2018</u>	<u>December 30, 2017</u>
5.75% Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$802 and \$1,403 at December 29, 2018 and December 30, 2017) due May 1, 2020	\$ 299,198	\$ 298,597
4.50% Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$833 and \$1,108 at December 29, 2018 and December 30, 2017) due January 15, 2022	299,167	298,892
4.50% Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$2,645 and \$3,162 at December 29, 2018 and December 30, 2017) due December 1, 2023	447,355	446,838
Other	210	350
	<u>1,045,930</u>	<u>1,044,677</u>
Less: Current portion of long-term debt	(210)	(350)
Long-term debt, excluding current portion	<u>\$ 1,045,720</u>	<u>\$ 1,044,327</u>
Fair value of long-term debt	<u>\$ 1,074,000</u>	<u>\$ 1,109,000</u>

Fair Value of Financial Assets and Liabilities

The fair value of our senior unsecured notes was determined using Level 2 inputs based on quoted market prices. We believe the carrying value of its other long-term debt approximates fair value. The carrying amounts of our cash and cash equivalents, receivables, accounts payable and accrued expenses approximate their fair values due to the relatively short-term nature of these instruments.

Bank Debt

On January 31, 2017, we entered into a new credit agreement that provides a \$1.0 billion unsecured revolving credit facility (the “2017 Credit Agreement”) with Advance Stores, as Borrower, the lenders party thereto, and Bank of America, N.A., as the administrative agent and replaces a prior credit agreement entered into in 2013. The 2017 Credit Agreement provides for the issuance of letters of credit with a sublimit of \$200.0 million. We may request that the total revolving commitment be increased by an amount not exceeding \$250.0 million during the term of the 2017 Credit Agreement. Voluntary prepayments and voluntary reductions of the revolving loan balance, if any, are permitted in whole or in part, at our option, in minimum principal amounts as specified in the 2017 Credit Agreement. The 2017 Credit Agreement terminates in January 2022; however, we may request one or two one-year extensions of the termination date prior to the first or second anniversary of the closing date.

On January 31, 2018, we entered into Amendment No. 1 to the 2017 Credit Agreement (the “Amendment”), among Advance Stores, as Borrower, the lenders party thereto, and Bank of America, N.A., Administrative Agent. The Amendment: (i) provided for LIBOR replacement rates in the event that LIBOR is unavailable in the future; (ii) modified the definitions of the financial covenants (and the testing level relating thereto) with respect to a maximum leverage ratio and a minimum coverage ratio that we are required to comply with; and (iii) extended the termination date of the 2017 Credit Agreement from January 31, 2022 until January 31, 2023. We have the option to make one additional written request of the lenders to extend the termination date then in effect for one additional year.

As of December 29, 2018, we had no outstanding borrowings under the revolver and borrowing availability was \$998.0 million based on our leverage ratio. As of December 29, 2018, we had letters of credit outstanding of \$100.5 million, which generally have a term of one year or less and primarily serve as collateral for our self-insurance policies.

Interest on any borrowings on the revolver will be based at our option, on an adjusted LIBOR, plus a margin, or an alternate base rate, plus a margin. After an initial interest period, we may elect to convert a particular borrowing to a different type. The initial margins per annum for the revolving loan are 1.10% for the adjusted LIBOR and 0.10% for alternate base rate borrowings. A facility fee of 0.15% per annum is charged on the total revolving facility commitment, payable quarterly in arrears. Under the terms of the 2017 Credit Agreement, the interest rate spread and facility fee are based on our credit rating. The interest rate spread ranges from 0.91% to 1.50% for adjusted LIBOR borrowings and 0.00% to 0.50% for alternate base rate borrowings.

The 2017 Credit Agreement contains customary covenants restricting the ability of: (a) Advance Stores and its subsidiaries to, among other things, (i) create, incur or assume additional debt (only with respect to subsidiaries of Advance Stores), (ii) incur liens, (iii) guarantee obligations, and (iv) change the nature of its business conducted by itself and its subsidiaries; (b) Advance, Advance Stores and their subsidiaries to, among other things (i) enter into certain hedging arrangements, (ii) enter into restrictive agreements limiting their ability to incur liens on any of their property or assets, pay distributions, repay loans, or guarantee indebtedness of their subsidiaries; and (c) Advance, among other things, to change the holding company status of Advance. Advance Stores is required to comply with financial covenants with respect to a maximum leverage ratio and a minimum coverage ratio. The 2017 Credit Agreement also provides for customary events of default, including non-payment defaults, covenant defaults and cross-defaults of Advance Stores’ other material indebtedness. We were in compliance with our financial covenants with respect to the 2017 Credit Agreement as of December 29, 2018.

On January 10, 2019, we entered into Amendment No. 2 to the 2017 Credit Agreement (the “Second Amendment”), among Advance Stores Company, Incorporated, as Borrower, Advance Auto Parts, Inc., as Parent, the banks, financial institutions and other institutional lenders parties thereto and Bank of America, N.A., as Administrative Agent. The Second Amendment: (i) added a new definition of “Insurance Subsidiary” to the 2017 Credit Agreement meaning each wholly owned subsidiary of Parent that is maintained as a special purpose self-insurance subsidiary and any of its subsidiaries; (ii) provided that an Insurance Subsidiary does not serve as a Guarantor of the 2017 Credit Agreement; and (iii) provided that Insurance

Subsidiaries are permitted to incur intercompany indebtedness. Insurance Subsidiaries will not be required to serve as Guarantors of the Parent's unsecured notes so long as they are not guarantors of the 2017 Credit Agreement.

Senior Unsecured Notes

Our 4.50% senior unsecured notes were issued in December 2013 at 99.69% of the principal amount of \$450.0 million and are due December 1, 2023 (the "2023 Notes"). The 2023 Notes bear interest at a rate of 4.50% per year payable semi-annually in arrears on June 1 and December 1 of each year. Our 4.50% senior unsecured notes were issued in January 2012 at 99.968% of the principal amount of \$300.0 million and are due January 15, 2022 (the "2022 Notes"). The 2022 Notes bear interest at a rate of 4.50% per year payable semi-annually in arrears on January 15 and July 15 of each year. Our 5.75% senior unsecured notes were issued in April 2010 at 99.587% of the principal amount of \$300.0 million and are due May 1, 2020 (the "2020 Notes" or collectively with the 2023 Notes and the 2022 Notes, "the Notes"). The 2020 Notes bear interest at a rate of 5.75% per year payable semi-annually in arrears on May 1 and November 1 of each year. Advance served as the issuer of the Notes with certain of Advance's domestic subsidiaries currently serving as subsidiary guarantors. The terms of the Notes are governed by an indenture (as amended, supplemented, waived or otherwise modified, the "Indenture") among Advance, the subsidiary guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.

We may redeem some or all of the Notes at any time or from time to time, at the redemption price described in the Indenture. In addition, in the event of a Change of Control Triggering Event (as defined in the Indenture for the Notes), we will be required to offer to repurchase the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date. The Notes are currently fully and unconditionally guaranteed, jointly and severally, on an unsubordinated and unsecured basis by each of the subsidiary guarantors. We will be permitted to release guarantees without the consent of holders of the Notes under the circumstances described in the Indenture: (i) upon the release of the guarantee of our other debt that resulted in the affected subsidiary becoming a guarantor of this debt; (ii) upon the sale or other disposition of all or substantially all of the stock or assets of the subsidiary guarantor; or (iii) upon our exercise of our legal or covenant defeasance option.

The Indenture contains customary provisions for events of default including for: (i) failure to pay principal or interest when due and payable; (ii) failure to comply with covenants or agreements in the Indenture or the Notes and failure to cure or obtain a waiver of such default upon notice; (iii) a default under any debt for money borrowed by us or any of our subsidiaries that results in acceleration of the maturity of such debt, or failure to pay any such debt within any applicable grace period after final stated maturity, in an aggregate amount greater than \$25.0 million without such debt having been discharged or acceleration having been rescinded or annulled within 10 days after receipt by us of notice of the default by the Trustee or holders of not less than 25% in aggregate principal amount of the Notes then outstanding; and (iv) events of bankruptcy, insolvency or reorganization affecting us and certain of its subsidiaries. In the case of an event of default, the principal amount of the Notes plus accrued and unpaid interest may be accelerated. The Indenture also contains covenants limiting the ability of us and our subsidiaries to incur debt secured by liens and to enter into sale and lease-back transactions.

On January 29, 2019, we notified Wells Fargo Bank, N.A., as trustee, of our intent to redeem all \$300.0 million aggregate principal amount of our outstanding 5.75% Notes due 2020 (the "2020 Notes") at a redemption price of approximately \$1,035 per \$1,000 principal amount of the 2020 Notes, plus accrued and unpaid interest, if any, to the expected redemption date of February 28, 2019.

Future Payments

As of December 29, 2018, the aggregate future annual maturities of long-term debt instruments are as follows:

<u>Year</u>	<u>Amount</u>
<i>(in thousands)</i>	
2019	\$ 210
2020	300,000
2021	—
2022	300,000
2023	450,000
Thereafter	—
	<u>\$ 1,050,210</u>

Debt Guarantees

We are a guarantor of loans made by banks to various independently owned Carquest-branded stores that are customers of ours totaling \$24.3 million as of December 29, 2018. These loans are collateralized by security agreements on merchandise inventory and other assets of the borrowers. The approximate value of the inventory collateralized by these agreements is \$53.9 million as of December 29, 2018. We believe that the likelihood of performance under these guarantees is remote.

8. Property and Equipment:

Property and equipment consists of the following:

<i>(in thousands)</i>	<u>Useful Lives</u>	<u>December 29, 2018</u>	<u>December 30, 2017</u>
Land and land improvements	0 - 10 years	\$ 453,511	\$ 451,261
Buildings	30 - 40 years	488,977	478,235
Building and leasehold improvements	3 - 30 years	504,518	490,635
Furniture, fixtures and equipment	3 - 20 years	1,740,960	1,675,522
Vehicles	2 - 13 years	14,636	16,587
Construction in progress		84,885	65,281
		<u>3,287,487</u>	<u>3,177,521</u>
Less - Accumulated depreciation		(1,918,502)	(1,783,383)
Property and equipment, net		<u>\$ 1,368,985</u>	<u>\$ 1,394,138</u>

Depreciation expense relating to Property and equipment was \$201.6 million, \$206.9 million and \$216.0 million for 2018, 2017 and 2016. We capitalized \$13.0 million, \$11.2 million and \$13.0 million incurred for the development of internal use computer software during 2018, 2017 and 2016. These costs are currently classified in the Construction in progress category above, but once placed into service within the Furniture, fixtures equipment category, these costs will be depreciated on the straight-line method over three to eleven years.

In 2018, 2017 and 2016, we recognized impairment losses of \$13.4 million, \$13.3 million and \$2.8 million, on various store and corporate assets.

9. Accrued Expenses:

Accrued expenses consist of the following:

<i>(in thousands)</i>	December 29, 2018	December 30, 2017
Payroll and related benefits	\$ 129,909	\$ 92,106
Taxes payable	119,203	112,930
Self-insurance reserves	70,962	65,463
Warranty reserves	45,280	49,024
Capital expenditures	15,365	14,335
Transportation	28,872	25,476
Other	213,550	174,214
Total accrued expenses	<u>\$ 623,141</u>	<u>\$ 533,548</u>

The following table presents changes in our warranty reserves:

<i>(in thousands)</i>	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Warranty reserves, beginning of period	\$ 49,024	\$ 47,243	\$ 44,479
Additions to warranty reserves	43,200	50,895	46,903
Reserves utilized	(46,944)	(49,114)	(44,139)
Warranty reserves, end of period	<u>\$ 45,280</u>	<u>\$ 49,024</u>	<u>\$ 47,243</u>

10. Stock Repurchase Program:

Our stock repurchase program allow us to repurchase our common stock on the open market or in privately negotiated transactions from time to time. On August 8, 2018, our Board of Directors authorized a \$600.0 million stock repurchase program. This new authorization replaced the previous \$500.0 million stock repurchase program that was authorized by our Board of Directors on May 14, 2012.

During 2018, we repurchased 1.7 million shares of its common stock at an aggregate cost of \$272.8 million, or an average price of \$163.17 per share, in connection with our stock repurchase program. We had \$327.2 million remaining under our stock repurchase program as of December 29, 2018. During 2017, we repurchased no shares of our common stock under our stock repurchase program.

Subsequent to December 29, 2018, we have repurchased 0.8 million shares of common stock at an aggregate cost of \$127.2 million, or \$159.65 per share, through our stock repurchase program.

11. Earnings per Share:

The computation of basic and diluted earnings per share is as follows:

<i>(in thousands, except per share data)</i>	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Numerator			
Net income applicable to common shares	\$ 423,847	\$ 475,505	\$ 459,622
Denominator			
Basic weighted average common shares	73,728	73,846	73,562
Dilutive impact of share-based awards	263	264	294
Diluted weighted average common shares	73,991	74,110	73,856
Basic earnings per common share	\$ 5.75	\$ 6.44	\$ 6.22
Diluted earnings per common share	\$ 5.73	\$ 6.42	\$ 6.20

12. Income Taxes:*U.S. Tax Reform*

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the "Act") was signed into law. The Act amends the Internal Revenue Code by, among other things, permanently lowering the corporate tax rate to 21% from the existing maximum rate of 35%, implementing a territorial tax system and imposing a transition tax on deemed repatriated earnings of foreign subsidiaries. We are required to remeasure deferred income tax assets and liabilities in the reporting period of enactment. The remeasurement of our net deferred income tax liability resulted in a \$155.1 million income tax benefit in 2017. In 2017, we also recorded an estimated charge of \$11.3 million to income tax expense primarily for the nonrecurring repatriation tax on accumulated earnings of foreign subsidiaries and it is our intention to bring back the accumulated foreign earnings held as cash in the near term. Prospectively, any future foreign earnings will be utilized to grow and support our foreign operations and will be treated as being indefinitely reinvested outside the U.S.

During 2018, in conjunction with the completion of our 2017 U.S. income tax return, we identified a change in estimate to amounts previously estimated in 2017 for the remeasurement of the net deferred tax liability and nonrecurring repatriation tax on accumulated earnings of foreign subsidiaries that resulted in a net tax benefit of \$5.7 million. Our analysis under Staff Accounting Bulletin No. 118 is complete.

Provision for Income Taxes

Provision for income taxes consists of the following:

<i>(in thousands)</i>	Current	Deferred	Total
2018			
Federal	\$ 72,598	\$ 14,745	\$ 87,343
State	19,571	3,439	23,010
Foreign	23,292	(2,228)	21,064
	<u>\$ 115,461</u>	<u>\$ 15,956</u>	<u>\$ 131,417</u>
2017			
Federal	\$ 146,855	\$ (146,741)	\$ 114
State	31,352	(3,437)	27,915
Foreign	17,810	(1,085)	16,725
	<u>\$ 196,017</u>	<u>\$ (151,263)</u>	<u>\$ 44,754</u>
2016			
Federal	\$ 209,499	\$ 17,989	\$ 227,488
State	29,345	1,366	30,711
Foreign	20,156	858	21,014
	<u>\$ 259,000</u>	<u>\$ 20,213</u>	<u>\$ 279,213</u>

The provision for income taxes differed from the amount computed by applying the federal statutory income tax rate due to:

<i>(in thousands)</i>	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Income before provision for income taxes at statutory U.S. federal income tax rate (21% for 2018 and 35% for 2017 and 2016)	\$ 116,605	\$ 182,091	\$ 258,592
State income taxes, net of federal income tax benefit	18,178	18,145	19,962
Impact of the Act	(5,655)	(143,756)	—
Other, net	2,289	(11,726)	659
	<u>\$ 131,417</u>	<u>\$ 44,754</u>	<u>\$ 279,213</u>

Deferred Income Tax Assets (Liabilities)

Temporary differences that give rise to significant deferred income tax assets (liabilities) are as follows:

<i>(in thousands)</i>	December 29, 2018	December 30, 2017
Deferred income tax assets:		
Accrued expenses not currently deductible for tax	\$ 40,066	\$ 38,200
Share-based compensation	7,780	9,556
Accrued medical and workers compensation	34,430	33,697
Net operating loss carryforwards	7,423	6,701
Straight-line rent	21,091	21,733
Other, net	8,390	2,973
Total deferred income tax assets before valuation allowances	119,180	112,860
Less: Valuation allowance	(8,694)	(3,778)
Total deferred income tax assets	110,486	109,082
Deferred income tax liabilities:		
Property and equipment	(92,505)	(98,186)
Inventories	(196,772)	(169,478)
Intangible assets	(139,562)	(145,038)
Total deferred income tax liabilities	(428,839)	(412,702)
Net deferred income tax liabilities	\$ (318,353)	\$ (303,620)

As of December 29, 2018 and December 30, 2017, our net operating loss (“NOL”) carryforwards related to state NOLs of \$195.0 million and \$177.8 million. These NOLs may be used to reduce future taxable income and expire periodically through 2037. Due to uncertainties related to the realization of these NOLs in certain jurisdictions, we have recorded a valuation allowance of \$3.8 million and \$3.8 million as of December 29, 2018 and December 30, 2017. In addition, we have recorded a \$4.9 million valuation allowance on foreign tax credit carryforwards. The amount of deferred income tax assets realizable, however, could change in the future if projections of future taxable income change.

We have not recorded deferred taxes when earnings from foreign operations are considered to be indefinitely invested outside of the U.S. As of December 29, 2018, these accumulated net earnings generated by our foreign operations were approximately \$12.1 million, which did not include earnings deemed to be repatriated as part of the Act. It is not practicable to determine the income tax liability that would be payable if such earnings were repatriated.

Unrecognized Tax Benefits

The following table summarizes the activity of our gross unrecognized tax benefits:

<i>(in thousands)</i>	December 29, 2018	December 30, 2017	December 31, 2016
Unrecognized tax benefits, beginning of period	\$ 22,665	\$ 13,946	\$ 13,841
Increases related to prior period tax positions	5,435	8,077	8,274
Decreases related to prior period tax positions	(1,356)	(2,331)	(1,600)
Increases related to current period tax positions	5,425	5,644	2,105
Settlements	(14)	(1,496)	(6,894)
Expiration of statute of limitations	(1,331)	(1,175)	(1,780)
Unrecognized tax benefits, end of period	\$ 30,824	\$ 22,665	\$ 13,946

As of December 29, 2018, December 30, 2017 and December 31, 2016, the entire amount of unrecognized tax benefits, if recognized, would reduce our annual effective tax rate. During 2018, we recorded a gain relating to income tax-related interest and penalties of \$0.9 million due to uncertain tax positions included in Provision for income taxes in the accompanying consolidated statements of operations. During 2017 and 2016, we recorded expenses relating to income tax-related interest and penalties of \$1.7 million and \$1.9 million due to uncertain tax positions included in Provision for income taxes in the accompanying consolidated statements of operations. As of December 29, 2018 and December 30, 2017, we recorded a liability for potential interest of \$3.3 million and \$4.2 million and for potential penalties of \$0.1 million and \$0.1 million. We did not provide for any penalties associated with tax contingencies unless considered probable of assessment. We do not expect our unrecognized tax benefits to change significantly over the next 12 months. With few exceptions, we are no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2014.

13. Lease and Other Commitments:

Initial terms for facility leases are typically 5 to 10 years, with renewal options at 5 year intervals, and may include rent escalation clauses. As of December 29, 2018, future minimum lease payments due under non-cancelable operating leases with lease terms extending through the year 2059 are as follows:

Year	Amount
<i>(in thousands)</i>	
2019	\$ 520,541
2020	481,812
2021	416,895
2022	349,470
2023	270,116
Thereafter	837,441
	<u>\$ 2,876,275</u>

Net Rent Expense

The following table summarizes net rent expense:

<i>(in thousands)</i>	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Minimum facility rentals	\$ 484,291	\$ 483,178	\$ 473,596
Equipment rentals	23,635	24,786	26,897
Vehicle rentals	53,015	32,670	47,251
	560,941	540,634	547,744
Less: Sub-lease income	(7,141)	(7,144)	(7,379)
	<u>\$ 553,800</u>	<u>\$ 533,490</u>	<u>\$ 540,365</u>

Other Commitments

We have entered into certain arrangements which require the future purchase of goods or services. Our obligations primarily consist of payments for the purchase of hardware, software and maintenance. As of December 29, 2018, future payments amount to \$101.5 million and are not accrued in our consolidated balance sheet.

14. Contingencies:

We are currently and from time to time subject to litigation, claims and other disputes, including legal and regulatory proceedings, arising in the normal course of business. We record a loss contingency liability when a loss is considered probable and the amount can be reasonably estimated. Although the final outcome of these legal matters cannot be determined, based on the facts presently known, it is management's opinion that the final outcome of any pending matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Our Western Auto subsidiary, together with other defendants (including Advance and other of its subsidiaries), has been named as a defendant in lawsuits alleging injury as a result of exposure to asbestos-containing products. The plaintiffs have alleged that certain products contained asbestos and were manufactured, distributed and/or sold by the various defendants. Many of the cases pending against us are in the early stages of litigation. While the damages claimed against the defendants in some of these proceedings are substantial, we believe many of these claims are at least partially covered by insurance and historically asbestos claims against us have been inconsistent in fact patterns alleged and immaterial. We do not believe the cases currently pending will have a material adverse effect on our financial position, results of operations or cash flows.

15. Benefit Plans:

401(k) Plan

We maintain a defined contribution benefit plan, which covers substantially all Team Members after one year of service and who have attained the age of 21. The plan allows for Team Member salary deferrals, which are matched at our discretion. Company contributions to these plans were \$15.0 million, \$14.2 million and \$13.9 million in 2018, 2017 and 2016.

Deferred Compensation

We maintain a non-qualified deferred compensation plan for certain Team Members. This plan provides for a minimum and maximum deferral percentage of the Team Member's base salary and bonus, as determined by the Retirement Plan Committee. We established and maintained a deferred compensation liability for this plan. As of December 29, 2018 and December 30, 2017, these liabilities were \$12.2 million and \$16.8 million.

16. Share-Based Compensation:

Overview

We grant share-based compensation awards to our Team Members and members of our Board of Directors as provided for under our 2014 Long-Term Incentive Plan ("2014 LTIP"), which was approved by our shareholders on May 14, 2014. In 2018, 2017 and 2016, we granted share-based compensation in the form of stock appreciation rights ("SARs"), restricted stock units ("RSUs") or deferred stock units ("DSUs"). Our grants, which have three methods of measuring fair value, generally include a time-based service, a performance-based or a market-based portion, which collectively represent the target award.

At December 29, 2018, there were 5.3 million shares of common stock available for future issuance under the 2014 LTIP based on management's current estimate of the probable vesting outcome for performance-based awards. We issue new shares of common stock upon exercise of SARs. Shares forfeited and shares withheld for payment of taxes due become available for reissuance and are included in availability. Availability also includes shares that became available for reissuance in connection with the exercise of SARs.

The fair value of each SAR granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Black-Scholes Option Valuation Assumptions	2016
Risk-free interest rate ⁽¹⁾	1.2%
Expected dividend yield	0.2%
Expected stock price volatility ⁽²⁾	27.7%
Expected life of awards (in months) ⁽³⁾	55

- (1) The risk-free interest rate is based on the U.S. Treasury constant maturity interest rate having a term consistent with the expected life of the award.
(2) Expected volatility is determined using a blend of historical and implied volatility.
(3) The expected life of our awards represents the estimated period of time until exercise and is based on historical experience of previously granted awards.

As no time-based and performance-based SARs were granted in 2018 or 2017, the Black-Scholes model was not utilized and no assumptions were created.

For time-based and performance-based RSUs, the fair value of each award was determined based on the market price of our stock on the date of grant adjusted for expected dividends during the vesting period, as applicable.

The fair value of each market-based RSU was determined using a Monte Carlo simulation model. The model uses multiple input variables that determined the probability of satisfying the market condition requirements as follows:

Monte Carlo Simulation Model Assumptions	2018	2017
Risk-free interest rate ⁽¹⁾	2.4%	1.6%
Expected dividend yield	0.2%	0.2%
Expected stock price volatility ⁽²⁾	34.0%	26.2%

- (1) The risk-free interest rate is based on the U.S. Treasury constant maturity interest rate having term consistent with the vesting period of the award.
(2) Expected volatility is determined based on historical volatility over a matching look-back period and is consistent with the correlation coefficients between our stock prices and our peer group.

As no market-based RSUs were granted in 2016, the Monte Carlo simulation model was not utilized and no assumptions were created.

Additionally, we estimated a liquidity discount of 14.5% using the Chaffé Protective Put Method to adjust the fair value for the post-vest restrictions.

Time-Based Awards

Our outstanding time-vested awards consist of SARs and RSUs. The SARs generally vest over a three-year period in equal annual installments beginning on the first anniversary of the grant date. The SARs granted are non-qualified, terminate on the seventh anniversary of the grant date and contain no post-vesting restrictions other than normal trading black-out periods prescribed by our corporate governance policies. The RSUs generally vest over a three-year period in equal annual installments beginning on the first anniversary of the grant date. During the vesting period, holders of RSUs are entitled to receive dividend equivalents, but are not entitled to voting rights.

The following table summarizes activity for time-vested SARs and RSUs in 2018:

<i>(in thousands, except per share data)</i>	SARs			RSUs		
	Number of Awards	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding SARs / Nonvested RSUs at December 30, 2017	113	\$ 126.07			346	\$ 135.58
Granted	—	—			259	130.12
Exercised	(26)	71.06			—	—
Vested	—	—			(125)	140.62
Forfeited	(4)	71.94			(70)	124.55
Outstanding SARs / Nonvested RSUs at December 29, 2018	83	\$ 145.91	3.71	\$ 1,172	410	\$ 132.49
Vested and expected to vest	83	\$ 145.91	3.71	\$ —		
Outstanding and exercisable	14	\$ 74.55	0.98	\$ 1,172		

The aggregate intrinsic value of time-vested SARs and performance-based SARs is based on our closing stock price of \$155.46 as of the last trading day of 2018. The fair value of time-based RSUs and performance-based RSUs is determined based on the market price of our common stock on the date of grant.

The following table summarizes certain information concerning activity for time-vested SARs and RSUs:

<i>(in thousands, except per share data)</i>	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
SARs:			
Weighted average fair value of grants	\$ —	\$ —	\$ 43.64
Aggregate intrinsic value of SARs exercised	\$ 1,898	\$ 11,455	\$ 31,450
RSUs:			
Weighted average fair value of grants	\$ 130.12	\$ 131.01	\$ 155.51
Total grant date fair value of RSUs vested	\$ 17,527	\$ 13,578	\$ 16,089

Performance-Based Awards

Our outstanding performance-based awards consist of SARs and RSUs. Performance awards generally may vest following a three-year period subject to our achievement of certain financial goals as specified in the grant agreements. Depending on our results during the three-year performance period, the actual number of awards vesting at the end of the period generally ranges from 0% to 200% of the performance award. The performance RSUs generally do not have dividend equivalent rights and do not have voting rights until the shares are earned and issued following the applicable performance period. We also grant broad-based incentive awards to store and field team members that vested over a one-year service period based on the achievement of performance goals.

The number of performance-based awards outstanding is reflected in the following tables based on the number of awards that we believed were probable of vesting at December 29, 2018. Performance-based SARs and performance-based RSU's granted during 2018 are presented as grants in the table at their respective target levels. The change in units based on performance represents the change in the number of granted awards expected to vest based on the updated probability assessment as of December 29, 2018.

Compensation expense for performance-based awards of \$5.4 million, \$13.6 million, and \$0.8 million in 2018, 2017 and 2016, was determined based on management's estimate of the probable vesting outcome.

The following table summarizes activity for performance-based SARs and RSUs in 2018:

<i>(in thousands, except per share data)</i>	SARs				RSUs	
	Number of Awards	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding SARs / Nonvested RSUs at December 30, 2017	29	\$ 90.90			125	\$ 156.36
Granted	—	—			115	119.08
Change in units based on performance	—	—			(41)	147.09
Exercised	(12)	85.92			—	—
Vested	—	—			(56)	163.42
Forfeited	(2)	84.80			(18)	124.85
Outstanding SARs / Nonvested RSUs at December 29, 2018	15	\$ 96.04	1.51	\$ 838	125	\$ 126.19
Vested and expected to vest	15	\$ 96.04	1.51	\$ —		
Outstanding and exercisable	15	\$ 96.04	1.51	\$ 838		

The following table summarizes certain information concerning activity for performance-based SARs and RSUs:

<i>(in thousands, except per share data)</i>	Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
SARs:			
Weighted average fair value of grants	\$ —	\$ —	\$ 36.78
Aggregate intrinsic value of SARs exercised	\$ 610	\$ 5,221	\$ 11,556
RSUs:			
Weighted average fair value of grants	\$ 119.08	\$ 146.42	\$ 163.76
Total grant date fair value of RSUs vested	\$ 9,224	\$ 7,823	\$ 13,512

As of December 29, 2018, the maximum potential payout under our currently outstanding performance-based SARs and RSUs was 310 thousand and 228 thousand units.

Market-Based Awards

Our outstanding market-based awards consist of RSUs. Market-based RSU's vesting depends on our relative total shareholder return among a designated group of peer companies during a three-year period and will be subject to a one-year holding period after vesting.

At the beginning of 2018, 24 thousand market-based RSUs were outstanding. During 2018, a total of 38 thousand market-based RSUs were granted at a weighted average fair value of \$131.48 per unit and 9 thousand market-based RSUs were forfeited at a weighted average fair value of \$137.58.

At the beginning of 2017, zero market-based RSUs were outstanding. During 2017, a total of 27 thousand market-based RSUs were granted at a weighted average fair value of \$139.33 per unit and 3 thousand market-based RSUs were forfeited at a weighted average fair value of \$145.83.

Other Considerations

Total income tax benefit related to share-based compensation expense for 2018, 2017 and 2016 was \$6.8 million, \$15.3 million and \$7.5 million.

As of December 29, 2018, there was \$53.0 million of unrecognized compensation expense related to all share-based awards that was expected to be recognized over a weighted average period of 1.7 years.

Deferred Stock Units

We grant share-based awards annually to our Board of Directors in connection with its annual meeting of stockholders. These awards are granted in the form of DSUs as provided for in the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (“DSU Plan”). Each DSU is equivalent to one share of our common stock and will be distributed in common shares after the director’s service on the Board ends. DSUs granted vest over a one year service period. Additionally, the DSU Plan provides for the deferral of compensation earned in the form of (i) an annual retainer for directors, and (ii) wages for certain highly compensated Team Members. These DSUs are settled in common stock with the participants at a future date, or over a specified time period, as elected by the participants in accordance with the DSU Plan.

We granted 15 thousand DSUs in 2018. The weighted average fair value of DSUs granted during 2018, 2017 and 2016 was \$127.14, \$125.34, and \$146.30. The DSUs are awarded at a price equal to the market price of our underlying stock on the date of the grant. For 2018, 2017 and 2016, we recognized \$1.9 million, \$1.5 million and \$0.9 million of share-based compensation expense for these DSU grants.

Employee Stock Purchase Plan

We also offer an employee stock purchase plan (“ESPP”). Under the ESPP, eligible Team Members may elect salary deferrals to purchase our common stock at a discount of 10% from its fair market value on the date of purchase. There are annual limitations on the amounts a Team Member may elect of either \$25 thousand per Team Member or 10% of compensation, whichever is less. As of December 29, 2018, there were 1.0 million shares available to be issued under the ESPP.

17. Accumulated Other Comprehensive Loss:

Accumulated other comprehensive loss, net of tax, consisted of the following:

<i>(in thousands)</i>	Unrealized Gain (Loss) on Postretirement Plan	Foreign Currency Translation	Accumulated Other Comprehensive (Loss) Income
Balance, January 2, 2016	\$ 2,486	\$ (46,545)	\$ (44,059)
2016 activity	(534)	4,892	4,358
Balance, December 31, 2016	1,952	(41,653)	(39,701)
2017 activity	(194)	14,941	14,747
Balance, December 30, 2017	1,758	(26,712)	(24,954)
2018 activity	(294)	(18,945)	(19,239)
Balance, December 29, 2018	\$ 1,464	\$ (45,657)	\$ (44,193)

18. Condensed Consolidating Financial Statements:

Certain 100% wholly owned domestic subsidiaries of Advance, including its Material Subsidiaries (as defined in the 2017 Credit Agreement) serve as guarantors of Advance's senior unsecured notes ("Guarantor Subsidiaries"). The subsidiary guarantees related to Advance's senior unsecured notes are full and unconditional, joint and several and there are no restrictions on the ability of Advance to obtain funds from its Guarantor Subsidiaries. Certain of Advance's wholly owned subsidiaries, including all of its foreign subsidiaries, do not serve as guarantors of Advance's senior unsecured notes ("Non-Guarantor Subsidiaries").

Set forth below are condensed consolidating financial statements presenting the financial position, results of operations, and cash flows of (i) Advance, (ii) the Guarantor Subsidiaries, (iii) the Non-Guarantor Subsidiaries, and (iv) the eliminations necessary to arrive at consolidated information for Advance. Investments in subsidiaries of Advance are presented under the equity method. The statement of operations eliminations relate primarily to the sale of inventory from a Non-Guarantor Subsidiary to a Guarantor Subsidiary. The balance sheet eliminations relate primarily to the elimination of intercompany receivables and payables and subsidiary investment accounts.

The following tables present condensed consolidating balance sheets, condensed consolidating statements of operations, comprehensive income and cash flows, and should be read in conjunction with the consolidated financial statements herein.

Condensed Consolidating Balance Sheet
As of December 29, 2018

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 785,605	\$ 110,922	\$ —	\$ 896,527
Receivables, net	—	590,269	34,703	—	624,972
Inventories	—	4,182,973	179,574	—	4,362,547
Other current assets	3,103	191,318	3,987	—	198,408
Total current assets	3,103	5,750,165	329,186	—	6,082,454
Property and equipment, net of accumulated depreciation	77	1,359,980	8,928	—	1,368,985
Goodwill	—	943,364	46,873	—	990,237
Intangible assets, net	—	510,586	40,007	—	550,593
Other assets, net	2,408	47,815	564	(2,408)	48,379
Investment in subsidiaries	3,945,862	474,772	—	(4,420,634)	—
Intercompany note receivable	1,048,993	—	—	(1,048,993)	—
Due from intercompany, net	—	102,886	297,580	(400,466)	—
	<u>\$ 5,000,443</u>	<u>\$ 9,189,568</u>	<u>\$ 723,138</u>	<u>\$ (5,872,501)</u>	<u>\$ 9,040,648</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	\$ —	\$ 2,954,632	\$ 218,158	\$ —	\$ 3,172,790
Accrued expenses	3,444	603,460	16,237	—	623,141
Other current liabilities	—	91,994	(1,975)	—	90,019
Total current liabilities	3,444	3,650,086	232,420	—	3,885,950
Long-term debt	1,045,720	—	—	—	1,045,720
Deferred income taxes	—	306,127	14,634	(2,408)	318,353
Other long-term liabilities	—	238,500	1,312	—	239,812
Intercompany note payable	—	1,048,993	—	(1,048,993)	—
Due to intercompany, net	400,466	—	—	(400,466)	—
Commitments and contingencies					
Stockholders' equity	3,550,813	3,945,862	474,772	(4,420,634)	3,550,813
	<u>\$ 5,000,443</u>	<u>\$ 9,189,568</u>	<u>\$ 723,138</u>	<u>\$ (5,872,501)</u>	<u>\$ 9,040,648</u>

**Condensed Consolidating Balance Sheet
As of December 30, 2017**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 23	\$ 482,620	\$ 64,317	\$ (23)	\$ 546,937
Receivables, net	—	567,460	38,897	—	606,357
Inventories	—	3,986,724	181,768	—	4,168,492
Other current assets	—	103,118	2,063	(75)	105,106
Total current assets	23	5,139,922	287,045	(98)	5,426,892
Property and equipment, net of accumulated depreciation	103	1,384,115	9,920	—	1,394,138
Goodwill	—	943,359	50,934	—	994,293
Intangible assets, net	—	551,781	45,893	—	597,674
Other assets, net	3,224	68,749	554	(3,223)	69,304
Investment in subsidiaries	3,521,330	448,462	—	(3,969,792)	—
Intercompany note receivable	1,048,700	—	—	(1,048,700)	—
Due from intercompany, net	—	—	332,467	(332,467)	—
	<u>\$ 4,573,380</u>	<u>\$ 8,536,388</u>	<u>\$ 726,813</u>	<u>\$ (5,354,280)</u>	<u>\$ 8,482,301</u>
<u>Liabilities and Stockholders' Equity</u>					
Current liabilities:					
Accounts payable	\$ —	\$ 2,657,792	\$ 236,790	\$ —	\$ 2,894,582
Accrued expenses	1,134	511,841	20,648	(75)	533,548
Other current liabilities	—	50,963	1,027	(23)	51,967
Total current liabilities	1,134	3,220,596	258,465	(98)	3,480,097
Long-term debt	1,044,327	—	—	—	1,044,327
Deferred income taxes	—	288,999	17,844	(3,223)	303,620
Other long-term liabilities	—	237,019	2,042	—	239,061
Intercompany note payable	—	1,048,700	—	(1,048,700)	—
Due to intercompany, net	112,723	219,744	—	(332,467)	—
Commitments and contingencies					
Stockholders' equity	3,415,196	3,521,330	448,462	(3,969,792)	3,415,196
	<u>\$ 4,573,380</u>	<u>\$ 8,536,388</u>	<u>\$ 726,813</u>	<u>\$ (5,354,280)</u>	<u>\$ 8,482,301</u>

**Condensed Consolidating Statement of Operations
For the Year Ended December 29, 2018**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 9,225,772	\$ 519,883	\$ (165,101)	\$ 9,580,554
Cost of sales , including purchasing and warehousing costs	—	5,169,076	357,166	(165,101)	5,361,141
Gross profit	—	4,056,696	162,717	—	4,219,413
Selling, general and administrative expenses	20,235	3,547,645	98,412	(51,154)	3,615,138
Operating (loss) income	(20,235)	509,051	64,305	51,154	604,275
Other, net:					
Interest (expense) income	(52,253)	(4,336)	1	—	(56,588)
Other income (expense), net	73,174	(6,961)	(7,482)	(51,154)	7,577
Total other, net	20,921	(11,297)	(7,481)	(51,154)	(49,011)
Income before provision for income taxes	686	497,754	56,824	—	555,264
Provision for income taxes	2,519	117,015	11,883	—	131,417
(Loss) income before equity in earnings of subsidiaries	(1,833)	380,739	44,941	—	423,847
Equity in earnings of subsidiaries	425,680	44,941	—	(470,621)	—
Net income	\$ 423,847	\$ 425,680	\$ 44,941	\$ (470,621)	\$ 423,847

**Condensed Consolidating Statement of Operations
For the Year Ended December 30, 2017**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 9,034,790	\$ 550,450	\$ (211,456)	\$ 9,373,784
Cost of sales , including purchasing and warehousing costs	—	5,107,063	393,128	(211,456)	5,288,735
Gross profit	—	3,927,727	157,322	—	4,085,049
Selling, general and administrative expenses	30,478	3,453,406	82,155	(51,202)	3,514,837
Operating (loss) income	(30,478)	474,321	75,167	51,202	570,212
Other, net:					
Interest (expense) income	(52,305)	(6,496)	—	—	(58,801)
Other income (expense), net	83,840	(17,729)	(6,061)	(51,202)	8,848
Total other, net	31,535	(24,225)	(6,061)	(51,202)	(49,953)
Income before provision for income taxes	1,057	450,096	69,106	—	520,259
Provision for income taxes	641	32,623	11,490	—	44,754
Income before equity in earnings of subsidiaries	416	417,473	57,616	—	475,505
Equity in earnings of subsidiaries	475,089	57,616	—	(532,705)	—
Net income	\$ 475,505	\$ 475,089	\$ 57,616	\$ (532,705)	\$ 475,505

**Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2016**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 9,254,477	\$ 556,747	\$ (243,545)	\$ 9,567,679
Cost of sales , including purchasing and warehousing costs	—	5,171,953	383,356	(243,545)	5,311,764
Gross profit	—	4,082,524	173,391	—	4,255,915
Selling, general and administrative expenses	28,695	3,402,323	92,287	(54,988)	3,468,317
Operating (loss) income	(28,695)	680,201	81,104	54,988	787,598
Other, net:					
Interest (expense) income	(52,081)	(7,897)	68	—	(59,910)
Other income (expense), net	81,683	(19,558)	4,010	(54,988)	11,147
Total other, net	29,602	(27,455)	4,078	(54,988)	(48,763)
Income before provision for income taxes	907	652,746	85,182	—	738,835
Provision for income taxes	1,588	260,155	17,470	—	279,213
(Loss) income before equity in earnings of subsidiaries	(681)	392,591	67,712	—	459,622
Equity in earnings of subsidiaries	460,303	67,712	—	(528,015)	—
Net income	\$ 459,622	\$ 460,303	\$ 67,712	\$ (528,015)	\$ 459,622

**Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 29, 2018**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	\$ 423,847	\$ 425,680	\$ 44,941	\$ (470,621)	\$ 423,847
Other comprehensive loss:					
Changes in net unrecognized other postretirement benefit costs	—	(294)	—	—	(294)
Currency translation adjustments	—	—	(18,945)	—	(18,945)
Equity in other comprehensive loss of subsidiaries	(19,239)	(18,945)	—	38,184	—
Total other comprehensive loss	(19,239)	(19,239)	(18,945)	38,184	(19,239)
Comprehensive income	\$ 404,608	\$ 406,441	\$ 25,996	\$ (432,437)	\$ 404,608

**Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 30, 2017**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	\$ 475,505	\$ 475,089	\$ 57,616	\$ (532,705)	\$ 475,505
Other comprehensive income:					
Changes in net unrecognized other postretirement benefit costs	—	(194)	—	—	(194)
Currency translation adjustments	—	—	14,941	—	14,941
Equity in other comprehensive income of subsidiaries	14,747	14,941	—	(29,688)	—
Total other comprehensive income	14,747	14,747	14,941	(29,688)	14,747
Comprehensive income	\$ 490,252	\$ 489,836	\$ 72,557	\$ (562,393)	\$ 490,252

**Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 31, 2016**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	\$ 459,622	\$ 460,303	\$ 67,712	\$ (528,015)	\$ 459,622
Other comprehensive income:					
Changes in net unrecognized other postretirement benefit costs	—	(534)	—	—	(534)
Currency translation adjustments	—	—	4,892	—	4,892
Equity in other comprehensive income of subsidiaries	4,358	4,892	—	(9,250)	—
Other comprehensive income	4,358	4,358	4,892	(9,250)	4,358
Comprehensive income	\$ 463,980	\$ 464,661	\$ 72,604	\$ (537,265)	\$ 463,980

**Condensed Consolidating Statement of Cash Flows
For the Year Ended December 29, 2018**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ —	\$ 753,948	\$ 57,080	\$ —	\$ 811,028
Cash flows from investing activities:					
Purchases of property and equipment	—	(192,156)	(1,559)	—	(193,715)
Proceeds from sales of property and equipment	—	1,842	46	—	1,888
Other, net	—	—	—	—	—
Net cash used in investing activities	—	(190,314)	(1,513)	—	(191,827)
Cash flows from financing activities:					
Increase (decrease) in bank overdrafts	—	35,280	(3,266)	—	32,014
Dividends paid	—	(17,819)	—	—	(17,819)
Proceeds from the issuance of common stock	—	3,200	—	—	3,200
Tax withholdings related to the exercise of stock appreciation rights	—	(773)	—	—	(773)
Repurchase of common stock	—	(281,354)	—	—	(281,354)
Other, net	(23)	817	—	23	817
Net cash used in financing activities	(23)	(260,649)	(3,266)	23	(263,915)
Effect of exchange rate changes on cash	—	—	(5,696)	—	(5,696)
Net (decrease) increase in cash and cash equivalents	(23)	302,985	46,605	23	349,590
Cash and cash equivalents, beginning of period	23	482,620	64,317	(23)	546,937
Cash and cash equivalents, end of period	\$ —	\$ 785,605	\$ 110,922	\$ —	\$ 896,527

**Condensed Consolidating Statement of Cash Flows
For the Year Ended December 30, 2017**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ —	\$ 593,091	\$ 7,714	\$ —	\$ 600,805
Cash flows from investing activities:					
Purchases of property and equipment	—	(187,993)	(1,765)	—	(189,758)
Proceeds from sales of property and equipment	—	11,085	14	—	11,099
Other, net	—	480	(460)	—	20
Net cash used in investing activities	—	(176,428)	(2,211)	—	(178,639)
Cash flows from financing activities:					
Increase (decrease) in bank overdrafts	—	16,290	(2,286)	—	14,004
Borrowings under credit facilities	—	534,400	—	—	534,400
Payments on credit facilities	—	(534,400)	—	—	(534,400)
Dividends paid	—	(17,854)	—	—	(17,854)
Proceeds from the issuance of common stock	—	4,076	—	—	4,076
Tax withholdings related to the exercise of stock appreciation rights	—	(6,531)	—	—	(6,531)
Repurchase of common stock	—	(6,498)	—	—	(6,498)
Other, net	1	(2,069)	—	(1)	(2,069)
Net cash provided by (used in) financing activities	1	(12,586)	(2,286)	(1)	(14,872)
Effect of exchange rate changes on cash	—	—	4,465	—	4,465
Net increase in cash and cash equivalents	1	404,077	7,682	(1)	411,759
Cash and cash equivalents, beginning of period	22	78,543	56,635	(22)	135,178
Cash and cash equivalents, end of period	\$ 23	\$ 482,620	\$ 64,317	\$ (23)	\$ 546,937

**Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2016**

<i>(in thousands)</i>	Advance Auto Parts, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	\$ 14	\$ 491,180	\$ 32,109	\$ —	\$ 523,303
Cash flows from investing activities:					
Purchases of property and equipment	—	(257,159)	(2,400)	—	(259,559)
Proceeds from sales of property and equipment	—	2,210	2	—	2,212
Other, net	—	(4,697)	—	—	(4,697)
Net cash used in investing activities	—	(259,646)	(2,398)	—	(262,044)
Cash flows from financing activities:					
Decrease in bank overdrafts	—	(4,902)	(657)	(14)	(5,573)
Borrowings under credit facilities	—	799,600	—	—	799,600
Payments on credit facilities	—	(959,600)	—	—	(959,600)
Dividends paid	—	(17,738)	—	—	(17,738)
Proceeds from the issuance of common stock	—	4,532	—	—	4,532
Tax withholdings related to the exercise of stock appreciation rights	—	(19,558)	—	—	(19,558)
Repurchase of common stock	—	(18,393)	—	—	(18,393)
Other, net	—	(390)	—	—	(390)
Net cash used in financing activities	—	(216,449)	(657)	(14)	(217,120)
Effect of exchange rate changes on cash	—	—	257	—	257
Net increase in cash and cash equivalents	14	15,085	29,311	(14)	44,396
Cash and cash equivalents, beginning of period	8	63,458	27,324	(8)	90,782
Cash and cash equivalents, end of period	\$ 22	\$ 78,543	\$ 56,635	\$ (22)	\$ 135,178

19. Quarterly Financial Data (unaudited):

The following table summarizes quarterly financial data for 2018 and 2017:

2018	First	Second	Third	Fourth
<i>(in thousands, except per share data)</i>	<i>(16 weeks)</i>	<i>(12 weeks)</i>	<i>(12 weeks)</i>	<i>(12 weeks)</i>
Net sales	\$ 2,873,848	\$ 2,326,652	\$ 2,274,982	\$ 2,105,072
Gross profit	\$ 1,272,284	\$ 1,011,559	\$ 1,006,927	\$ 928,643
Net income	\$ 136,727	\$ 117,836	\$ 115,843	\$ 53,441
Basic earnings per common share	\$ 1.85	\$ 1.59	\$ 1.57	\$ 0.74
Diluted earnings per common share	\$ 1.84	\$ 1.59	\$ 1.56	\$ 0.74
2017	First	Second	Third	Fourth
<i>(in thousands, except per share data)</i>	<i>(16 weeks)</i>	<i>(12 weeks)</i>	<i>(12 weeks)</i>	<i>(12 weeks)</i>
Net sales	\$ 2,890,838	\$ 2,263,727	\$ 2,182,233	\$ 2,036,986
Gross profit	\$ 1,270,684	\$ 993,088	\$ 947,708	\$ 873,569
Net income	\$ 107,960	\$ 87,049	\$ 95,996	\$ 184,500
Basic earnings per common share	\$ 1.46	\$ 1.18	\$ 1.30	\$ 2.50
Diluted earnings per common share	\$ 1.46	\$ 1.17	\$ 1.30	\$ 2.49

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not be equal to the per share amount for the year.

Advance Auto Parts, Inc.
Schedule II - Valuation and Qualifying Accounts
(in thousands)

Allowance for doubtful accounts receivable	Balance at Beginning of Period	Charges to Expenses	Deductions	Balance at End of Period
December 31, 2016	\$ 25,758	\$ 24,597	\$ (21,191) ⁽¹⁾	\$ 29,164
December 30, 2017	\$ 29,164	\$ 20,110	\$ (31,055) ⁽¹⁾	\$ 18,219
December 29, 2018	\$ 18,219	\$ 18,445	\$ (18,622) ⁽¹⁾	\$ 18,042

⁽¹⁾ Accounts written off during the period. These amounts did not impact our statement of operations for any year presented.

Other valuation and qualifying accounts have not been reported in this schedule because they are either not applicable or because the information has been included elsewhere in this report.

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
2.1	Agreement and Plan of Merger by and among Advance Auto Parts, Inc., Generator Purchase, Inc., General Parts International, Inc. and Shareholder Representative Services LLC (as the Shareholder Representative), Dated as of October 15, 2013	10-K	2.1	2/25/2014	
3.1	Restated Certificate of Incorporation of Advance Auto Parts, Inc. (“Advance Auto”) (as amended effective as of May 24, 2017).	10-Q	3.1	8/14/2018	
3.2	Amended and Restated Bylaws of Advance Auto., effective May 24, 2017	10-Q	3.2	5/22/2018	
4.1	Indenture, dated as of April 29, 2010, among Advance Auto Parts, Inc., each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	4.1	4/29/2010	
4.2	First Supplemental Indenture, dated as of April 29, 2010, among Advance Auto Parts, Inc., each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	4.2	4/29/2010	
4.3	Second Supplemental Indenture dated as of May 27, 2011 to the Indenture dated as of April 29, 2010 among Advance Auto Parts, Inc. as Issuer, each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	10.45	6/3/2011	
4.4	Third Supplemental Indenture dated as of January 17, 2012 among Advance Auto Parts, Inc., each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	4.4	1/17/2012	
4.5	Fourth Supplemental Indenture, dated as of December 21, 2012 among Advance Auto Parts, Inc., each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	4.5	12/21/2012	
4.6	Fifth Supplemental Indenture, dated as of April 19, 2013 among Advance Auto Parts, Inc., each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	4.6	4/19/2013	
4.7	Sixth Supplemental Indenture, dated as of December 3, 2013, among Advance Auto Parts, Inc., each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	4.7	12/9/2013	
4.8	Form of 5.750% Note due 2020.	8-K	4.3	4/29/2010	
4.9	Form of 4.500% Note due 2022.	8-K	4.5	1/17/2012	
4.10	Form of 4.500% Note due 2023.	8-K	4.7	12/9/2013	
4.11	Seventh Supplemental Indenture, dated as of February 28, 2014, among Advance Auto Parts, Inc., each of the Subsidiary Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	10-Q	4.11	5/28/2014	
10.1	Form of Indemnification Agreement between Advance Auto Parts and each of its Directors.	8-K	10.19	5/20/2004	
10.2	Advance Auto Parts, Inc. 2004 Long-Term Incentive Plan (amended as of April 17, 2008).	10-Q	10.19	5/29/2008	

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Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.3	Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (as amended January 1, 2008), including First Amendment to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (as amended and restated effective as of January 1, 2009) and Second Amendment to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (as amended and restated effective as of January 1, 2010).	10-K	10.17	3/1/2011	
10.4	Amended and Restated Advance Auto Parts, Inc. Employee Stock Purchase Plan.	DEF 14A	Appendix C	4/16/2012	
10.5	Advance Auto Parts, Inc. Deferred Compensation Plan (as amended January 1, 2008), including First Amendment to the Advance Auto Parts, Inc. Deferred Compensation Plan (as amended and restated effective as of January 1, 2009) and Second Amendment to the Advance Auto Parts, Inc. Deferred Compensation Plan (as amended and restated effective as of January 1, 2010).	10-K	10.19	3/1/2011	
10.6	Advance Auto Parts, Inc. Executive Incentive Plan.	DEF 14A	Appendix B	4/11/2007	
10.7	Attachment C to Employment Agreement effective June 4, 2008 between Advance Auto Parts, Inc. and Michael A. Norona.	8-K	10.35	6/4/2008	
10.8	Form of Advance Auto Parts, Inc. Restricted Stock Award Agreement dated November 17, 2008.	8-K	10.39	11/21/2008	
10.9	Form of Advance Auto Parts, Inc. SAR Award Agreement under 2004 Long-Term Incentive Plan.	10-K	10.33	2/28/2012	
10.10	Form of Advance Auto Parts, Inc. Restricted Stock Award Agreement under 2004 Long-Term Incentive Plan.	10-K	10.34	2/28/2012	
10.11	Supplement No. 1 to Guarantee Agreement.	8-K	10.1	12/21/2012	
10.12	Third Amendment to the Advance Auto Parts, Inc. Deferred Compensation Plan (Effective as of January 1, 2013).	10-K	10.33	2/25/2013	
10.13	Third Amendment to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (Effective as of January 1, 2013).	10-K	10.34	2/25/2013	
10.14	Form of Advance Auto Parts, Inc. SARs Award Agreement and Restricted Stock Unit Award Agreement under 2004 Long-Term Incentive Plan.	10-K	10.36	2/25/2013	
10.15	Form of Advance Auto Parts, Inc. Restricted Stock Unit Agreement dated March 1, 2013.	8-K	10.38	3/7/2013	
10.16	Credit Agreement, dated as of December 5, 2013, among Advance Auto Parts, Inc. Advance Stores Company, Incorporated, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	10.1	12/9/2013	
10.17	Guarantee Agreement, dated as of December 5, 2013, among Advance Auto Parts, Inc. Advance Stores Company, Incorporated, the other lenders from time to time party lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent for the lenders.	8-K	10.2	12/9/2013	
10.18	Supplement No. 1 to Guarantee Agreement.	10-K	10.45	2/25/2014	
10.19	First Amendment to the Advance Auto Parts, Inc. Employee Stock Purchase Plan (As amended and Restated Effective as of May 15, 2012).	10-K	10.46	2/25/2014	
10.20	Form of Advance Auto Parts, Inc. SARs Award Agreement and Restricted Stock Unit Award Agreement.	10-K	10.48	2/25/2014	

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Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.21	Second Amendment to the Advance Auto Parts, Inc. Employee Stock Purchase Plan (As amended and Restated Effective as of May 15, 2012).	10-K	10.50	3/3/2015	
10.22	Fourth Amendment to the Advance Auto Parts, Inc. Deferred Compensation Plan (As Amended and Restated Effective as of January 1, 2008).	10-K	10.51	3/3/2015	
10.23	Fourth Amendment to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (As Amended and Restated Effective as of January 1, 2008).	10-K	10.52	3/3/2015	
10.24	Fifth Amendment to the Advance Auto Parts, Inc. Deferred Compensation Plan (As Amended and Restated Effective as of January 1, 2008).	10-K	10.53	3/3/2015	
10.25	Fifth Amendment to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (As Amended and Restated Effective as of January 1, 2008).	10-K	10.54	3/3/2015	
10.26	Agreement, dated as of November 11, 2015, by and among Advance Auto Parts, Inc. and Starboard.	8-K	10.1	11/13/2015	
10.27	Restricted Stock Unit Award Agreement between Advance Auto Parts, Inc. and John C. Brouillard dated December 1, 2015.	10-K	10.58	3/1/2016	
10.28	Employment Agreement effective March 28, 2016 between Advance Auto Parts, Inc. and Thomas Greco.	10-Q	10.1	5/31/2016	
10.29	First Amendment to Employment Agreement effective April 2, 2016 between Advance Auto Parts, Inc. and Thomas R. Greco.	10-Q	10.2	5/31/2016	
10.30	2016 Restricted Stock Unit Award Agreement (Sign-On Award - Performance-Based) between Advance Auto Parts, Inc. and Thomas Greco dated April 14, 2016.	10-Q	10.3	5/31/2016	
10.31	2016 Restricted Stock Unit Award Agreement (Sign-on Award - Time-Based) between Advance Auto Parts, Inc. and Thomas Greco dated April 14, 2016.	10-Q	10.4	5/31/2016	
10.32	2016 time-Based SARs Award Agreement (Stock Settled - Inducement Award) between Advance Auto Parts, Inc. and Thomas Greco dated April 14, 2016.	10-Q	10.5	5/31/2016	
10.33	Form of Performance-Based SARs Award Agreement between Advance Auto Parts, Inc. and Thomas Greco.	10-Q	10.6	5/31/2016	
10.34	Form of Restricted Stock Unit Award Agreement between Advance Auto Parts, Inc. and Thomas Greco.	10-Q	10.7	5/31/2016	
10.35	Employment Agreement effective October 3, 2016 between Advance Auto Parts, Inc. and Thomas B. Okray.	10-Q	10.1	11/15/2016	
10.36	Credit Agreement, dated as January 31, 2017, among Advance Auto Parts, Inc., Advance Stores Company, Incorporated, the lenders party thereto, and Bank of America, N.A., as Administrative Agent.	8-K	10.1	2/6/2017	
10.37	Guarantee Agreement, dated as of January 31, 2017, among Advance Auto Parts, Inc., Advance Stores Company, Incorporated, the other guarantors from time to time party thereto and Bank of America, N.A., as administrative agent for the lenders.	8-K	10.2	2/6/2017	
10.38	Employment Agreement effective August 21, 2016 between Advance Auto Parts, Inc. and Robert B. Cushing.	10-K	10.50	2/28/2017	
10.39	2016 Restricted Stock Unit Award Agreement (Time-Based) between Advance Auto Parts, Inc. and Thomas B. Okray dated November 21, 2016.	10-K	10.52	2/28/2017	

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Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.40	2016 Restricted Stock Unit Award Agreement (Performance-Based) between Advance Auto Parts, Inc. and Robert B. Cushing dated September 7, 2016.	10-K	10.53	2/28/2017	
10.41	Sixth Amendment to the Advance Auto Parts, Inc. Deferred Compensation Plan (As Amended and Restated Effective as of January 1, 2008).	10-K	10.54	2/28/2017	
10.42	Sixth Amendment to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (As Amended and Restated Effective as of January 1, 2008).	10-K	10.55	2/28/2017	
10.43	Seventh Amendment to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (As Amended and Restated Effective as of January 1, 2008).	10-K	10.56	2/28/2017	
10.44	Form of 2015 Advance Auto Parts, Inc. Restricted Stock Unit Award Agreement.	10-K	10.57	2/28/2017	
10.45	Form of 2015 Advance Auto Parts, Inc. SARs Award Agreement.	10-K	10.58	2/28/2017	
10.46	Advance Auto Parts, Inc. 2017 Amended and Restated Executive Incentive Plan	DEF14A	Appendix A	4/6/2017	
10.47	Amendment No. 1 to Credit Agreement, dated as of January 31, 2018, among Advance Auto Parts, Inc., Advance Stores Company, Incorporated, the lenders party thereto, and Bank of America, N.A., as Administrative Agent.	8-K	10.1	2/6/2018	
10.48	7th Amendment to Advance Auto Parts, Inc. Deferred Compensation Plan (As Amended and Restated Effective as of January 1, 2008).	10-K	10.57	2/21/2018	
10.49	8th Amendment to Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives (As Amended and Restated Effective as of January 1, 2008).	10-K	10.58	2/21/2018	
10.50	Employment Agreement effective September 17, 2018 between Advance Auto Parts, Inc. and Jeffrey W. Shepherd.	10-Q	10.1	11/13/2018	
10.51	Amendment No. 2 to the Credit Agreement, dated as of January 10, 2019, among Advance Auto Parts, Inc., Advance Stores Company, Incorporated, the lenders party thereto, and Bank of America, N.A., as Administrative Agent.	8-K	10.1	10/15/2018	
10.52	Employment Agreement effective February 6, 2018 between Advance Auto Parts, Inc. and Michael T. Broderick.				X
10.53	Employment Agreement effective October 3, 2018 between Advance Auto Parts, Inc. and Reuben E. Slone.				X
10.54	Form of 2017 Advance Auto Parts, Inc. Performance-Based Restricted Stock Unit Award Agreement.				X
10.55	Form of 2018 Advance Auto Parts, Inc. Performance-Based Restricted Stock Unit Award Agreement.				X
10.56	Form of 2018 Advance Auto Parts, Inc. Time-Based Restricted Stock Unit Award Agreement.				X
10.57	Advance Auto Parts, Inc. 2004 Long-Term Incentive Plan (as amended effective August 7, 2018).				X
10.58	2018 Restricted Stock Unit Award Agreement (Performance-Based) between Advance Auto Parts, Inc. and Rueben E. Slone dated November 19, 2018.				X
21.1	Subsidiaries of Advance Auto Parts, Inc.				X

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Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
23.1	Consent of Deloitte & Touche LLP.				X
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance Document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X

Item 16. Form 10-K Summary.

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADVANCE AUTO PARTS, INC.

Dated: February 19, 2019

By: /s/ Jeffrey W. Shepherd
 Jeffrey W. Shepherd
Executive Vice President, Chief Financial Officer, Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Thomas R. Greco Thomas R. Greco	President and Chief Executive Officer and Director (Principal Executive Officer)	February 19, 2019
/s/ Jeffrey W. Shepherd Jeffrey W. Shepherd	Executive Vice President, Chief Financial Officer, Controller and Chief Accounting Officer (Principal Financial and Accounting Officer)	February 19, 2019
/s/ Jeffrey C. Smith Jeffrey C. Smith	Chairman and Director	February 19, 2019
/s/ John F. Bergstrom John F. Bergstrom	Director	February 19, 2019
/s/ Brad W. Buss Brad W. Buss	Director	February 19, 2019
/s/ Fiona P. Dias Fiona P. Dias	Director	February 19, 2019
/s/ John F. Ferraro John F. Ferraro	Director	February 19, 2019
/s/ Adriana Karaboutis Adriana Karaboutis	Director	February 19, 2019
/s/ Eugene I. Lee, Jr. Eugene I. Lee, Jr.	Director	February 19, 2019
/s/ Nigel Travis Nigel Travis	Director	February 19, 2019
/s/ Douglas A. Pertz Douglas A. Pertz	Director	February 19, 2019
/s/ Jeffrey J. Jones II Jeffrey J. Jones II	Director	February 19, 2019
/s/ Sharon L. McCollam Sharon L. McCollam	Director	February 19, 2019

EMPLOYMENT AGREEMENT

AGREEMENT (the "Agreement") dated as of **February 6, 2018** between Advance Auto Parts, Inc. ("Advance" or the "Company"), a Delaware corporation, its subsidiaries, predecessors, successors, affiliated corporations, companies and partnerships, and its current and former officers, directors, and agents (collectively, the "Company") and **Michael T. Broderick** (the "Executive").

The Company and the Executive agree as follows:

1. **Position; Term of Employment.** Subject to the terms and conditions of this Agreement, the Company agrees to employ the Executive, and the Executive agrees to serve the Company, as its **Executive Vice President, Merchandising, Inventory and Replenishment** ("Executive's Position"). The parties intend that the Executive shall continue to so serve in this capacity throughout the Employment Term (as such term is defined below).

The term of Executive's employment by the Company pursuant to this Agreement shall commence on **February 6, 2018** ("Commencement Date") and shall end on the day prior to the first anniversary of the Commencement Date, unless sooner terminated under the provisions of Paragraph 4 below ("Employment Term"); provided, however, that commencing on the first anniversary of the Commencement Date ("Anniversary Date") the Employment Term shall be automatically extended for an additional period of one year unless, not later than 90 days prior to the Anniversary Date, either party shall have given notice to the other that it does not wish to extend the Employment Term (a "Non-Renewal"), in which case the Employment Term shall end on the day prior to the Anniversary Date; and on each Anniversary Date thereafter the Employment Term shall be automatically extended for an additional period of one year unless, not later than 90 days prior to such Anniversary Date, either party shall have given notice of a Non-Renewal to the other, in which case the Employment Term shall end 90 days following such notice.

2. **Duties**

(a) **Duties and Responsibilities; Location.** The Executive shall have such duties and responsibilities of the Executive's Position and such other duties and responsibilities that are reasonably consistent with the Executive's Position as the Company may request from time to time and Executive shall perform such duties and carry out such responsibilities to the best of the Executive's ability for the purpose of advancing the business of the Company and its subsidiaries, if any (jointly and severally, "Related Entities"). The Executive shall observe and conform to the applicable policies and directives promulgated from time to time by the Company and its Board of Directors or by any superior officer(s) of the Company. Subject to the provisions of Subsection 2(b) below, the Executive shall devote the Executive's full time, skill and attention during normal business hours to the business and affairs of the Company and its Related Entities, except for holidays and vacations consistent with applicable Company policy and except for illness or incapacity. The services to be performed by the Executive hereunder may be changed from time to time at the discretion of the Company. The Company shall retain full direction and control of the means and methods by which the Executive performs the Executive's services and of the place

or places at which such services are to be rendered. Effective on the Commencement Date, the Executive's principal office location shall be the Company's offices located in Raleigh, North Carolina. Executive understands that, while Executive's principal office is located in North Carolina, the Executive's Position will entail involvement with the entire range of the Company's operations across the United States and Canada, and may from time to time require travel throughout the United States and Canada.

(b) **Other Activities.** During the Term of this Agreement, it shall not be a violation of this Agreement for the Executive to, and the Executive shall be entitled to (i) serve on corporate, civic, charitable, industry association or professional association boards or committees within the limitations of the Company's Guidelines on Significant Governance Issues, (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions and (iii) manage personal investments, so long as the activities set forth in (i), (ii), and (iii) above (x) do not significantly interfere with the performance of the Executive's duties and responsibilities as required by this Agreement and do not involve a conflict of interest with the Executive's duties or responsibilities hereunder, (y) are in compliance with the Company's policies and procedures in effect from time to time, including the Code of Ethics & Business Conduct and the Guidelines on Significant Governance Issues, in each case as may be amended periodically, and (z) do not violate Section 18 of this Agreement.

3. **Compensation.**

(a) **Base Salary.** During the Employment Term, the Company shall pay to the Executive a salary of \$450,000 per annum, payable consistent with the Company's standard payroll practices then in effect ("Base Salary"). Such Base Salary shall be reviewed by the Compensation Committee of Advance's Board of Directors (hereinafter the "Compensation Committee") at least annually, with any changes taking into account, among other factors, Company and individual performance.

(b) **Bonus.** The Executive shall receive a bonus in such amounts and based upon achievement of such corporate and/or individual performance and other criteria as shall be approved by the Compensation Committee from time to time, with a target amount, if such performance and other criteria are achieved, of eighty-five percent (85%) of the Base Salary (the "Target Bonus Amount"), with a maximum payout of two hundred percent (200%) of the Base Salary during the initial Term of this Agreement, which bonus shall be paid in a manner consistent with the Company's bonus practices then in effect. The Target Bonus Amount and the maximum payout for any subsequent renewal Term of the Agreement shall be determined by the Compensation Committee. To be eligible to receive a bonus, the Executive must be employed by the Company on the date the bonus is paid.

(c) **Incentive Compensation Clawback.** Any compensation provided by the Company to the Executive, excepting only compensation pursuant to Section 3(a) above, shall be subject to the Company's Incentive Compensation Clawback Policy as such policy shall be adopted, and from time to time amended, by the Board or the Compensation Committee.

(d) **Benefit Plans.** During the Employment Term, the Executive shall be entitled to participate in all retirement and employment benefit plans and programs of the Company that are generally available to senior executives of the Company. Such participation shall be pursuant to

the terms and conditions of such plans and programs, as the same shall be amended from time to time.

(e) **Business Expenses.** During the Employment Term, the Company shall, in accordance with policies then in effect with respect to payments of business expenses, pay or reimburse the Executive for all reasonable out-of-pocket travel and other expenses (other than ordinary commuting expenses) incurred by the Executive in performing services hereunder; provided, however, that, with respect to reimbursements, if any, not otherwise excludible from the Executive's gross income, to the extent required to comply with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), no reimbursement of expenses incurred by the Executive during any taxable year shall be made after the last day of the following taxable year, and the right to reimbursement of such expenses shall not be subject to liquidation or exchange for another benefit. All such expenses shall be accounted for in such reasonable detail as the Company may require.

4. **Termination of Employment.**

(a) **Death.** In the event of the death of the Executive during the Employment Term, the Executive's employment shall be automatically terminated as of the date of death and a lump sum amount, equivalent to the Executive's annual Base Salary and Target Bonus then in effect, shall be paid, within 60 days after the date of the Executive's death, to the Executive's designated beneficiary, or to the Executive's estate or other legal representative if no beneficiary was designated at the time of the Executive's death. In the event of the death of the Executive during the Employment Term, the restrictions and deferral limitations applicable to any Option, Stock Appreciation Right ("SAR"), Restricted Stock, Restricted Stock Unit, Performance Share, Performance Unit, Deferred Stock Unit, Dividend Equivalent or any Stock Grant Awards (collectively "Awards"), as such Awards are defined in the 2014 LTIP (or any applicable successor or predecessor plan of the Company), granted to the Executive shall be subject to the provisions regarding vesting and transferability in those circumstances as are set forth in the applicable award agreement or grant. The foregoing benefit will be provided in addition to any death, disability or other benefits provided under the Company's benefit plans and programs in which the Executive was participating at the time of his death. Except in accordance with the terms of the Company's benefit programs and other plans and programs then in effect, after the date of the Executive's death, the Executive shall not be entitled to any other compensation or benefits from the Company or hereunder.

(b) **Disability.** In the event of the Executive's Disability as hereinafter defined, the employment of the Executive may be terminated by the Company, effective upon the Disability Termination Date (as defined below). In such event, the Company shall pay the Executive an amount equivalent to thirty percent (30%) of the Executive's Base Salary for a one year period, which amount shall be paid in one lump sum within 45 days following the Executive's "separation from service," as that term is defined in Section 409A of the Code and regulations promulgated thereunder, from the Company (his "Separation From Service"), provided that the Executive or an individual duly authorized to execute legal documents on the Executive's behalf executes and does not revoke within any applicable revocation period the release described in Section 4(k)(ii)(B). The foregoing benefit will be provided in addition to any disability or other benefits provided under the Company's benefit plans in which the Executive participates. For the avoidance of doubt, participation by the Executive in the Company's long-term and/or short-term disability

insurance benefit plans is voluntary on the part of the Executive and is made available by the Company at the sole cost of the Executive. The purpose and intent of the preceding three sentences is to ensure that the Executive receives a combination of insurance benefits and Company payments following the Disability Termination Date equal to 100% of his then-applicable Base Salary for such one-year period. In the event that Executive does not elect to participate in the Company's long-term and/or short-term disability insurance benefit plans, the Company shall not be obligated to pay the Executive any amount in excess of thirty percent (30%) of the Executive's Base Salary. In the event of the Disability of the Executive during the Employment Term, the restrictions and deferral limitations applicable to any Option, SAR, Restricted Stock, Restricted Stock Unit, Performance Unit, Deferred Stock Unit, Dividend Equivalent or any Stock Grant Awards (collectively "Awards"), as such Awards are defined in the 2014 LTIP (or any applicable successor or predecessor plan of the Company), granted to the Executive shall be subject to the provisions regarding vesting and transferability in those circumstances as are set forth in the applicable award agreement or grant. The Company shall also pay to the Executive a lump sum amount equivalent to the Executive's Target Bonus Amount then in effect, which amount shall be paid in one lump sum within 45 days following the Executive's Separation from Service, provided that the Executive or an individual duly authorized to execute legal documents on the Executive's behalf executes and does not revoke within any applicable revocation period the release described in Section 4(j)(ii)(B). Otherwise, after the Disability Termination Date, except in accordance with the Company's benefit programs and other plans then in effect, the Executive shall not be entitled to any compensation or benefits from the Company or hereunder.

"Disability," for purposes of this Agreement, shall mean the Executive's incapacity due to physical or mental illness causing the Executive's complete and full-time absence from the Executive's duties, as defined in Paragraph 2, for either a consecutive period of more than six months or at least 180 days within any 270-day period.

(c) **Termination by the Company for Due Cause.** Nothing herein shall prevent the Company from terminating the Executive's employment at any time for "Due Cause" (as hereinafter defined). The Executive shall continue to receive the Base Salary provided for in this Agreement only through the period ending with the date of such termination. Any rights and benefits the Executive may have under employee benefit plans and programs of the Company shall be determined in accordance with the terms of such plans and programs. Except as provided in the two immediately preceding sentences, after termination of employment for Due Cause, the Executive shall not be entitled to any compensation or benefits from the Company or hereunder.

For purposes of this Agreement, "Due Cause" shall mean:

- (i) a material breach by the Executive of the Executive's duties and obligations under this Agreement or violation in any material respect of any code or standard of conduct generally applicable to the officers of the Company, including, but not limited to, the Company's Code of Ethics and Business Conduct, which, if curable, has not been cured by the Executive within 15 business days after the Executive's receipt of notice to the Executive specifying the nature of such breach or violations;
- (ii) a material violation by the Executive of the Executive's Loyalty Obligations as provided in Paragraph 18;

(iii) the commission by the Executive or indictment for a crime of moral turpitude or a felony involving fraud, breach of trust, or misappropriation;

(iv) the Executive's willfully engaging in bad faith conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or

(v) a determination by the Company that the Executive is in violation of the Company's Substance Abuse Policy.

(d) **Termination by the Company Other than for Due Cause, Death or Disability.** The foregoing notwithstanding, the Company may terminate the Executive's employment for any or no reason, as it may deem appropriate in its sole discretion and judgment; provided, however, that in the event such termination is not due to Death, Disability or Due Cause, the Executive shall (i) be entitled to a Termination Payment as hereinafter defined and (ii) be sent written notice stating the termination is not due to Death, Disability or Due Cause. In the event of such termination by the Company, the Executive shall receive certain payments and benefits as set forth in this Subsection 4(d).

(i) **Termination Payment.** If the Company terminates the Executive's employment for other than Death, Disability or Due Cause prior to the expiration of the Employment Term, the term "Termination Payment" shall mean a cash payment equal to the sum of:

(A) an amount equal to the Executive's annual Base Salary, as in effect immediately prior to such termination (unless the termination is in connection with an action that would have enabled the Executive to terminate his employment for Good Reason pursuant to Section 4(e)(i)(A), in which case, it shall be the Base Salary in effect prior to any such material diminution of the Base Salary) (the "Termination Salary Payment"), and

(B) an amount equal to the average value of the annual bonuses pursuant to Section 3(b) paid to Executive for the three completed fiscal years immediately prior to the date of such termination; provided, however, that if Executive has been employed by the Company for fewer than three complete fiscal years prior to the date of such termination, Executive shall receive an amount equal to the average value of the annual bonuses pursuant to Section 3(b) that the Executive has received during the period of the Executive's employment.

(ii) **Outplacement Services.** The Company shall make outplacement services available to the Executive, at a cost to the Company not to exceed \$12,000, for a period of time not to exceed 12 months following the date of termination pursuant to the Company's Executive outplacement program with the Company's selected vendor, to include consulting, search support and administrative services.

(iii) **Medical Coverage.** In addition, the Company shall provide the Executive with medical, dental and vision insurance benefits (which may also cover, if applicable, the Executive's spouse and eligible dependents) for three hundred sixty-five (365) days from the date of the Executive's termination of employment or until such time as the

Executive is eligible for group health coverage under another employer's plan, whichever occurs first. In order to trigger the Company's obligation to provide health care continuation benefits, the Executive must elect continuation coverage pursuant to the Consolidation Omnibus Budget Act of 1985, as amended ("COBRA"), upon such eligibility. The Company's obligation shall be satisfied solely through the payment of the Executive's COBRA premiums during the 365-day period, but only to the extent that such premiums exceed the amount that would otherwise have been payable by the Executive for coverage of the Executive and the Executive's eligible dependents that were covered by the Company's medical, dental, and vision insurance programs at the time of the Executive's termination of employment had the Executive continued to be employed by the Company.

(iv) **Timing of Payments.** The Termination Salary Payment and Termination Bonus Payment shall be paid in one lump sum within 45 days following the date of the Executive's Separation From Service, provided that the Executive executes and does not revoke within any applicable revocation period the release described in Section 4(j)(ii)(B) below.

(v) **Entire Obligation.** Except as provided in Subsection 4(j) of this Agreement, following the Executive's termination of employment under this Subsection 4(d), the Executive will have no further obligation to the Company pursuant to this Agreement (other than under Sections 6, 7, 8, 9, 10, 11, 16, 18, 19 (to the extent such policies, guidelines and codes by their terms apply post-employment) and 20). Except for the Termination Payment and as otherwise provided in accordance with the terms of the Company's benefit programs and plans then in effect or as expressly required under applicable law, after termination by the Company of employment for other than Death, Disability or Due Cause, the Executive shall not be entitled to any other compensation or benefits from the Company or hereunder.

(e) **Resignation from Employment by the Company for Good Reason.** Termination by the Company without Due Cause under Subsection 4(d) shall be deemed to have occurred if the Executive elects to terminate the Executive's employment for Good Reason.

(i) **Good Reason.** For purposes of this Agreement, "Good Reason" shall mean:

(A) a material diminution in the Executive's "Total Direct Compensation," which shall mean the value of the total of the Executive's Base Salary, Target Bonus opportunity, and annual equity award taken together;

(B) a material diminution in the Executive's authority, duties, or responsibilities;

(C) the Company's requiring the Executive to be based more than 60 miles from the Company's office in Raleigh, North Carolina;

(D) delivery by the Company of a notice of Non-Renewal; or

(E) any other action or inaction that constitutes a material breach by the Company of the terms of this Agreement.

(ii) **Notice of Good Reason Condition.** In order to be considered a resignation for Good Reason for purposes of this Agreement, the Executive must provide the Company with written notice and description of the existence of the Good Reason condition within 60 days of the initial discovery by the Executive of the existence of said Good Reason condition and the Company shall have 30 business days to cure such Good Reason condition.

(iii) **Effective Date of Resignation.** The effective date of the Executive's resignation for Good Reason must occur no longer than six (6) months following the expiration of the cure period set forth in Section 4(e)(ii), above. If Executive has not resigned for Good Reason effective within six (6) months following the expiration of the cure period set forth in Section 4(e)(ii), above the Executive shall be deemed to have waived said Good Reason condition.

(f) **Termination by the Company Other Than For Due Cause, Death or Disability or Resignation from Employment for Good Reason Within Twelve Months After a Change in Control.** If the Company terminates the Executive's employment for other than Death, Disability or Due Cause prior to the expiration of the Employment Term and within twelve (12) months after a Change In Control (as defined below), or if the Executive elects to terminate the Executive's employment for Good Reason prior to the expiration of the Employment Term and within twelve (12) months after a Change In Control, then (i) the Executive shall be entitled to a Change In Control Termination Payment as hereinafter defined in lieu of the Termination Payment set forth in Subsection 4(d)(i) above, (ii) the Executive shall receive benefits as defined in Subsections 4(d)(ii) and (iii) above, and (iii) either the Company or the Executive, as the case may be, shall provide Notice of Termination pursuant to Subsection 4(j)(i) other than in the case of a Non-Renewal, which shall be communicated in accordance with Section 1.

(i) **Change In Control Termination Payment.** The term "Change In Control Termination Payment" shall mean a cash payment equal to the sum of:

(A) an amount equal to two times the Executive's annual Base Salary, as in effect immediately prior to such termination (unless the termination is due to Section 4(e)(i)(A), in which case, it shall be two times the Executive's annual Base Salary in effect prior to any such material diminution of the Base Salary) (the "Change In Control Termination Salary Payment"), and

(B) an amount equal to two times the Executive's Target Bonus Amount, as in effect immediately prior to such termination (unless the termination is due to Sections 4(e)(i)(A) or (E), in which case, it shall be two times the Executive's Target Bonus in effect prior to any such material diminution of the Target Bonus or termination of the bonus plan, respectively) (the "Change In Control Termination Bonus Payment").

(ii) **Timing of Payments.** The Change In Control Termination Salary Payment and the Change In Control Termination Bonus Payment shall be paid in lump sum payments within 45 days following the date of the Executive's Separation From Service,

provided that the Executive executes and does not revoke within any applicable revocation period the release described in Section 4(j)(ii) below.

(iii) **Entire Obligation.** Except as provided in Subsection 4(i) of this Agreement, following the Executive's termination of employment under this Subsection 4(f), the Executive will have no further obligation to the Company pursuant to this Agreement (other than under Sections 6, 7, 8, 9, 10, 11, 16, 18, 19 (to the extent such policies, guidelines and codes by their terms apply post-employment) and 20). Except for the Change In Control Termination Payment and as otherwise provided in accordance with the terms of the Company's benefit programs and plans then in effect or as expressly required under applicable law, within twelve (12) months after a Change In Control, after termination by the Company of employment for other than Death, Disability or Due Cause or after termination by the Executive for Good Reason, the Executive shall not be entitled to any other compensation or benefits from the Company or hereunder.

(iv) **Change In Control.** For purposes of this Agreement, "Change In Control" shall mean the occurrence of any of the following events:

(A) a Transaction, as defined below, unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company's outstanding securities immediately prior to that transaction, or

(B) any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires, including but not limited to by means of a merger or consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 25% of the total combined voting power of the Company's outstanding securities unless pursuant to a tender or exchange offer made directly to the Company's stockholders that the Board recommends such stockholders accept, other than (i) the Company or any of its Affiliates, (ii) an employee benefit plan of the Company or any of its Affiliates, (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(C) over a period of thirty-six (36) consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals who either (i) have been Board members continuously since the beginning of that period, or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in the preceding clause (i) who were still in office at the time that election or nomination was approved by the Board.

For purposes of Section 4(f)(iv)(A), “Transaction” means (1) consummation of any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) any sale, transfer, or other disposition of all or substantially all of the Company’s assets to one or more other persons in a single transaction or series of related transactions or (4) any liquidation or dissolution of the Company.

(v) **IRC 280G “Net-Best”**. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that (A) any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its affiliated entities) or any entity which effectuates a Change in Control (or any of its affiliated entities) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise) (the “Payments”) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the “Excise Tax”), and (B) the reduction of the amounts payable to Executive to the maximum amount that could be paid to Executive without giving rise to the Excise Tax (the “Safe Harbor Cap”) would provide Executive with a greater after tax amount than if such amounts were not reduced, then the amounts payable to Executive shall be reduced (but not below zero) to the Safe Harbor Cap. If the reduction of the amounts payable would not result in a greater after tax result to Executive, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(A) Reduction of Payments. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing first cash amounts payable under this Agreement (in contrast to benefit amounts), and applying any reduction to amounts payable in the following order: (A) first, any cash amounts payable to Executive as a Termination Payment or Change in Control Termination Payment under this Agreement, as applicable; (B) second, any cash amounts payable by Company for Outplacement Services on behalf of Executive under the terms of this Agreement; (C) third, any amounts payable by Company on behalf of Executive under the terms of this Agreement for continued Medical Coverage; (D) fourth, any other cash amounts payable by Company to or on behalf of Executive under the terms of this Agreement; (E) fifth, outstanding performance-based equity grants to the extent that any such grants would be subject to the Excise Tax; and (F) finally, any time-vesting equity grants to the extent that any such grants would be subject to the Excise Tax.

(B) Determinations by Accounting Firm. All determinations required to be made under this Section 4(f)(v) shall be made by the public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the “Accounting Firm”) which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from the Company or Executive that there has been a Payment, or such earlier time as is requested by the Company. Notwithstanding the foregoing, in the event (A) the Board shall determine prior to

the Change in Control that the Accounting Firm is precluded from performing such services under applicable auditor independence rules or (B) the Audit Committee of the Board determines that it does not want the Accounting Firm to perform such services because of auditor independence concerns or (C) the Accounting Firm is serving as accountant or auditor for the person(s) effecting the Change in Control, the Board shall appoint another nationally recognized public accounting firm reasonably acceptable to Executive to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. If Payments are reduced to the Safe Harbor Cap or the Accounting Firm determines that no Excise Tax is payable by Executive without a reduction in Payments, the Accounting Firm shall provide a written opinion to Executive to the effect that the Executive is not required to report any Excise Tax on the Executive's federal income tax return, and that the failure to report the Excise Tax, if any, on Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. The determination by the Accounting Firm shall be binding upon the Company and Executive (except as provided in paragraph 4(f)(v)(C) below).

(C) Excess Payment/Underpayment. If it is established pursuant to a final determination of a court or an Internal Revenue Service (the "IRS") proceeding which has been finally and conclusively resolved, that Payments have been made to, or provided for the benefit of, Executive, which are in excess of the limitations provided in this Section (referred to hereinafter as an "Excess Payment"), Executive shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of Executive's receipt of such Excess Payment until the date of such repayment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the determination, it is possible that Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made under this Section. In the event that it is determined (i) by the Accounting Firm, the Company (which shall include the position taken by the Company, or together with its consolidated group, on its federal income tax return) or the IRS or (ii) pursuant to a determination by a court, that an Underpayment has occurred, the Company shall pay an amount equal to such Underpayment to Executive within ten (10) days of such determination together with interest on such amount at the applicable federal rate from the date such amount would have been paid to Executive until the date of payment. Executive shall cooperate, to the extent the Executive's reasonable expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the IRS in connection with the Excise Tax or the determination of the Excess Payment. Notwithstanding the foregoing, in the event that amounts payable under this Agreement were reduced pursuant to paragraph 4(f)(v)(A) and the value of stock options is subsequently re-determined by the Accounting Firm within the context of Treasury Regulation §1.280G-1 Q/A 33 that reduces the value of the Payments attributable to such options, the Company shall promptly pay to

Executive any amounts payable under this Agreement that were not previously paid solely as a result of paragraph 4(f)(v)(A) up to the Safe Harbor Cap.

(g) **Voluntary Termination Without Good Reason.** In the event that the Executive terminates the Executive's employment at the Executive's own volition prior to the expiration of the Employment Term (except as provided in Subsection 4(e) above), such termination shall constitute a "Voluntary Termination" and in such event the Executive shall be limited to the same rights and benefits as provided in connection with a termination for Due Cause under Subsection 4(c) above.

(h) **Compliance With Code Section 409A.** Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and operated so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Code or shall comply with the requirements of such provision; provided however that in no event shall the Company be liable to the Executive for or with respect to any taxes, penalties or interest which may be imposed upon the Executive pursuant to Section 409A. To the extent that any amount payable pursuant to Subsections 4(b), (d)(i), (d)(iii) or (f) constitutes a "deferral of compensation" subject to Section 409A (a "409A Payment"), then, if on the date of the Executive's "separation from service," as such term is defined in Treas. Reg. Section 1.409A-1(h)(1), from the Company (his "Separation from Service"), the Executive is a "specified employee," as such term is defined in Treas. Reg. Section 1.409-1(i), as determined from time to time by the Company, then such 409A Payment shall not be made to the Executive earlier than the earlier of (i) six (6) months after the Executive's Separation from Service; or (ii) the date of his death. The 409A Payments under this Agreement that would otherwise be made during such period shall be aggregated and paid in one lump sum, without interest, on the first business day following the end of the six (6) month period or following the date of the Executive's death, whichever is earlier, and the balance of the 409A Payments, if any, shall be paid in accordance with the applicable payment schedule provided in this Section 4. To the extent any 409A Payment is conditioned on the Executive (or his legal representative) executing a release of claims, which 409A Payment would be made in a later taxable year of the Executive than the taxable year in which his Separation from Service occurs if such release were executed and delivered and became irrevocable at the last possible date allowed under this Agreement, such 409A Payment will be paid no earlier than such later taxable year. In applying Section 409A to compensation paid pursuant to this Agreement, any right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. The Executive hereby acknowledges that he has been advised to seek and has sought the advice of a tax advisor with respect to the tax consequences to the Executive of all payments pursuant to this Agreement, including any adverse tax consequences or penalty taxes under Code Section 409A and applicable State tax law. Executive hereby agrees to bear the entire risk of any such adverse federal and State tax consequences and penalty taxes in the event any payment pursuant to this Agreement is deemed to be subject to Code Section 409A, and that no representations have been made to the Executive relating to the tax treatment of any payment pursuant to this Agreement under Code Section 409A and the corresponding provisions of any applicable State income tax laws.

(i) **Cooperation.** During the term of the Executive's employment by the Company and for a period of one (1) year immediately following the termination of the Executive's employment with the Company, the Executive agrees to be reasonably available to assist the Company and its representatives and agents with any business and/or litigation (or potential

litigation) matters affecting or involving the Company. The Company will reimburse the Executive for all associated reasonable costs of travel.

(j) **Notice of Termination, Resignation and Release.** Any termination under Subsection 4(b) by the Company for Disability or Subsection 4(c) for Due Cause or by the Executive for Good Reason under Subsection 4(e) or by the Company or the Executive within twelve (12) months after a Change in Control under Subsection 4(f) or by the Executive by Voluntary Termination under Subsection 4(g) shall be communicated by Notice of Termination to the other party thereto given in accordance with Paragraph 10.

(i) **Notice of Termination.** For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such Notice, specifies the termination date (which date shall not be prior to the date of such notice or more than 15 days after the giving of such Notice).

(ii) **Resignation and Release.** Notwithstanding anything in this Agreement to the contrary, unless the Company provides otherwise, upon termination of employment for any reason, Executive shall be deemed to have resigned as a member of the Board of Directors of the Company, if applicable, and as an officer, director, manager and employee of the Company and its Related Entities and shall execute any documents and take any actions to effect the foregoing as requested by the Company. In order to be eligible to receive any payments or benefits hereunder as a result of the termination of the Executive’s employment, in addition to fulfilling all other conditions precedent to such receipt, the Executive or the Executive’s legal representative must within 21 days (or such other period as required under applicable law) after presentation of a release in form and substance reasonably satisfactory to the Company and its legal counsel, execute said release, and within 7 days (or such other period as required under applicable law) after such execution not revoke said release, on behalf of the Executive and the Executive’s estate, heirs and representatives, releasing the Company, its Related Entities and each of the Company’s and such Related Entities’ respective officers, directors, employees, members, managers, agents, independent contractors, representatives, shareholders, successors and assigns (all of which persons and entities shall be third party beneficiaries of such release with full power to enforce the provisions thereof) from any and all claims related to the Executive’s employment with the Company; termination of the Executive’s employment; all matters alleged or which could have been alleged in a charge or complaint against the Company; any and all injuries, losses or damages to Employee, including any claims for attorney’s fees; any and all claims relating to the conduct of any employee, servant, officer, director or agent of the Company; and any and all matters, transactions or things occurring prior to the date of said release, including any and all possible claims, known or unknown, which could have been asserted against the Company or the Company’s employees, agents, servants, officers or directors. Notwithstanding the foregoing, the form of release shall except out therefrom, and acknowledge the Executive’s continuing rights with respect to, the following: (i) all vested rights that the Executive may have under all welfare, retirement and other plans and programs of the Company in which the Executive was participating at the time of his employment termination, including all equity plans and programs of the

Company with respect to which equity awards were made to the Executive, (ii) all continuing rights that the Executive may have under this Agreement, and (iii) all rights that the Executive may have following the termination of his employment under the Company's Certificate of Incorporation and Bylaws, any applicable Company insurance and any indemnity agreements to which the Executive is a party which provide for indemnification, insurance or other, similar coverage for the Executive with respect to his actions or inactions as an officer, employee and/or member of the Board. For clarification, unless and until the Executive executes and does not, within any applicable revocation period, revoke the release, the Company shall have no obligation to make any Termination Payment to the Executive, and, even if the Executive does not execute the release, the Executive shall be bound by the post-termination provisions of this Agreement, including without limitation Section 18.

(k) **Earned and Accrued Payments.** The foregoing notwithstanding, upon the termination of the Executive's employment at any time, for any reason, the Executive shall be paid all amounts that had already been earned and accrued as of the time of termination, including but not limited to (i) any bonus that had been earned but not yet paid; and (ii) reimbursement for any business expenses accrued in accordance with Subsection 3(d).

(l) **Employment at Will.** The Executive hereby agrees that the Company may terminate the Executive's employment under this Paragraph 4 at will, without regard to: (i) any general or specific policies (written or oral) of the Company relating to the employment or termination of employment of its employees; (ii) any statements made to the Executive, whether oral or in any document, pertaining to the Executive's relationship with the Company; or (iii) without a determination of Due Cause by the Company.

5. **Treatment of Equity Awards Upon Change In Control.** In the event of a Change in Control as defined hereinabove, the restrictions and deferral limitations applicable to any Option, Stock Appreciation Right ("SAR"), Restricted Stock, Restricted Stock Unit, Performance Share, Performance Unit, Deferred Stock Unit, Dividend Equivalent or any Stock Grant Awards (collectively "Awards") as such Awards are defined in the 2014 LTIP (or any applicable successor or predecessor plan of the Company), granted to the Executive shall be subject to such provisions regarding vesting and transferability in those circumstances as are set forth in the applicable award agreement or grant.

6. **Successors and Assigns.**

(a) **Assignment by the Company.** This Agreement shall be binding upon and inure to the benefit of the Company or any corporation or other entity to which the Company may transfer all or substantially all of its assets and business and to which the Company may assign this Agreement, in which case the term "Company," as used herein, shall mean such corporation or other entity, provided that no such assignment shall relieve the Company from any obligations hereunder, whether arising prior to or after such assignment.

(b) **Assignment by the Executive.** The Executive may not assign this Agreement or any part hereof without the prior written consent of the Company; provided, however, that nothing herein shall preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable following occurrence of the Executive's legal incompetency or Death

and shall not preclude the legal representative of the Executive's estate from assigning any right hereunder to the person or persons entitled thereto under the Executive's will or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to the Executive's estate. The term "beneficiaries," as used in this Agreement, shall mean a beneficiary or beneficiaries so designated to receive any such amount or, if no beneficiary has been so designated, the legal representative of the Executive (in the event of the Executive's incompetency) or the Executive's estate.

7. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.

8. **Entire Agreement.** This Agreement, which shall include the Exhibits hereto, contains all of the understandings and representations between the parties hereto pertaining to the matters referred to herein, and supersedes all undertakings and agreements, whether oral or in writing, previously entered into by them with respect thereto, including without limitation any previous employment, severance or separation agreements (including any severance or change in control benefits contained therein); provided that the obligations set forth in Section 18 of this Agreement are in addition to any similar obligations Executive has to the Company or its affiliates. This Agreement may only be modified by an instrument in writing signed by both parties hereto.

9. **Waiver of Breach.** The waiver by any party of a breach of any condition or provision of this Agreement to be performed by such other party shall not operate or be construed to be a waiver of a similar or dissimilar provision or condition at the same or any prior or subsequent time.

10. **Notices.** Any notice to be given hereunder shall be in writing and delivered personally, or sent by certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

If to the Company:

Advance Auto Parts, Inc.
5008 Airport Road
Roanoke, VA 24012
Attn: General Counsel

With a copy to:

Advance Auto Parts, Inc.
2635 Millbrook Road
Raleigh, NC 27604
Attn: Chief Executive Officer

If to the Executive:

Michael T. Broderick
5983 Cavanaugh Drive
Raleigh, NC 27614

11. **Arbitration.** Any controversy or claim arising out of or relating to this Agreement, or any breach thereof, excepting only the enforcement of any Loyalty Obligations arising under Paragraph 18 of this Agreement, shall be settled by arbitration in the state of North Carolina in accordance

with the Employment Arbitration Rules of the American Arbitration Association then in effect in the State of North Carolina and judgment upon such award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The board of arbitrators shall consist of one arbitrator to be appointed by the Company, one by the Executive, and one by the two arbitrators so chosen. The arbitration shall be held at such place as may be agreed upon at the time by the parties to the arbitration. The cost of arbitration shall be borne as determined by the arbitrators.

12. **Withholding.** Anything to the contrary notwithstanding, all payments required to be made by the Company hereunder to the Executive or the Executive's estate or beneficiaries shall be subject to the withholding of such amounts relating to taxes as the Company may reasonably determine it should withhold pursuant to any applicable law or regulation. In lieu of withholding such amounts, in whole or in part, the Company may, in its sole discretion, accept other provisions for payment of taxes and withholdings as required by law, provided it is satisfied that all requirements of law affecting its responsibilities to withhold have been satisfied.

13. **Severability.** In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

14. **Titles.** Titles to the paragraphs and subsections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any paragraph or subsection.

15. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16. **Amendment.** Except as provided in Paragraph 13 above, this Agreement may not be modified or amended except by written instrument signed by all parties hereto.

17. **Independent Counsel.** The Executive acknowledges that Executive has been represented (or has had the opportunity to be represented) in the signing of this Agreement and in the making of its terms by independent legal counsel, selected of the Executive's own free will, and that the Executive has had the opportunity to discuss this Agreement with counsel. Executive further acknowledges that Executive has read and understands the meaning and ramifications of this Agreement and as evidence of this fact signs this Agreement below. The Executive further acknowledges that the Company has not made any representations or given any advice with respect to the tax or other consequences of this Agreement or any transactions contemplated by this Agreement to him and that the Executive has been advised of the importance of seeking independent counsel with respect to such consequences. By executing this Agreement, the Executive represents that the Executive has, after being advised of the potential conflicts between him and the Company with respect to the future consequences of this Agreement, either consulted independent legal counsel or elected, notwithstanding the advisability of seeking such independent legal counsel, not to consult with such independent legal counsel.

18. **Loyalty Obligations.** The Executive agrees that, immediately upon execution of this Agreement, the following obligations ("Loyalty Obligations") shall apply in consideration of the Executive's employment by or continued employment with the Company:

(a) **Confidential Information.**

(i) **Company Information.** Except as otherwise provided in Section 18(a)(iii) of this Agreement, the Executive agrees at all times during the term of the Executive's employment and thereafter, to hold any Confidential Information of the Company or its Related Entities in strictest confidence, and not to use (except for the benefit of the Company to fulfill the Executive's employment obligations) or to disclose to any person, firm or corporation other than the Company or those designated by it said Confidential Information without the prior authorization of the Company, except as may otherwise be required by law or legal process. The Executive agrees that "Confidential Information" means any proprietary information prepared or maintained in any format, including technical data, trade secrets or know-how in which the Company or Related Entities have an interest, including, but not limited to, business records, contracts, research, product or service plans, products, services, customer lists and customers (including, but not limited to, vendors to the Company or Related Entities on whom the Executive called, with whom the Executive dealt or with whom the Executive became acquainted during the term of the Executive's employment), pricing data, costs, markets, expansion plans, summaries, marketing and other business strategies, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration or marketing, financial or other business information obtained by the Executive or disclosed to the Executive by the Company or Related Entities or any other person or entity during the term of the Executive's employment with the Company either directly or indirectly electronically, in writing, orally, by drawings, by observation of services, systems or other aspects of the business of the Company or Related Entities or otherwise. Confidential Information does not include information that: (A) was available to the public prior to the time of disclosure, whether through press releases, SEC filings or otherwise; or (B) otherwise becomes available to the public through no act or omission of the Executive or through the wrongful act of a third party.

(ii) **Third Party Information.** The Executive recognizes that the Company and Related Entities have received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the part of the Company or Related Entities to maintain the confidentiality of such information and to use it only for certain limited purposes. Except as otherwise provided in Section 18(a)(iii) of this Agreement, the Executive agrees at all times during the Executive's employment and thereafter to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out the Executive's work for the Company consistent with the obligations of the Company or Related Entities with such third party.

(iii) **Permitted Disclosure.** Nothing in this Agreement shall prohibit or restrict the Executive from lawfully (A) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by the Securities and Exchange Commission ("SEC"), the Department of Justice, the Equal Employment Opportunity Commission ("EEOC"), the Congress, or any other governmental or regulatory agency, entity, or official(s) or self-

regulatory organization (collectively, “Governmental Authorities”) regarding a possible violation of any law, rule, or regulation; (B) responding to any inquiry or legal process directed to you individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; (C) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (D) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to Executive’s attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nor does this Agreement require Executive to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that Executive has engaged in any such conduct.

(b) **Conflicting Employment.** The Executive agrees that, during the term of the Executive’s employment with the Company, the Executive will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company or Related Entities are now involved or become involved during the term of the Executive’s employment. Nor will the Executive engage in any other activities that conflict with the business of the Company or Related Entities. Furthermore the Executive agrees to devote such time as may be necessary to fulfill the Executive’s obligations to the Company and during the term of the Executive’s employment with the Company to refrain from any other occupation, consulting or other business activity without the prior approval or consent of the Company.

(c) **Returning Company Property.** The Executive agrees that any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by the Executive or others pursuant to or during the Executive’s employment with the Company or otherwise shall be the property of the Company or its Related Entities and their respective successors or assigns. At the time of leaving the employ of the Company, or at any time during employment at the request of the Company, the Executive will deliver all material Company property to the Company or to the Company’s designee and will not keep in the Executive’s possession, recreate or deliver said property to anyone else. In the event of the termination of the Executive’s employment and upon request by the Company, the Executive agrees to sign and deliver the “Termination Certification” attached hereto as Exhibit A. Executive further agrees that at any time during employment or upon termination, at the request of the Company, to reasonably cooperate with the Company to ensure that Executive does not possess any Company property or information within any PDA, personal laptop, hard drive or thumb drive, personal cloud or email account, or any other personal electronic or data storage device, including providing access to any such devices to a third party forensic vendor for purposes of removing any such property and information, at the cost of the Company and through measures designed to protect Executive’s personal information.

(d) **Notification of New Employer.** In the event that the Executive leaves the employ of the Company, the Executive agrees to notify the Executive's new employer and hereby grants consent to notification by the Company to the Executive's new employer (whether the Executive is employed as an employee, consultant, independent contractor, director, partner, officer, advisor, Executive, volunteer or manager) about the Executive's Loyalty Obligations specified under this Agreement.

(e) **Non-Interference.** The Executive covenants and agrees that while the Executive is employed by the Company and for a period of one (1) year immediately following the termination of the Executive's employment with the Company for any reason, the Executive shall not, without the prior written approval of the Company, directly or indirectly, either on behalf of the Executive or any other person or entity, Interfere with the Company or any of its Related Entities.

(i) For purposes of this Agreement, "Interfere" shall mean, except in the performance of the Executive's duties and responsibilities on behalf of and for the benefit of the Company, (A) to solicit, entice, persuade, induce, influence or attempt to influence, directly or indirectly, Customers, suppliers, Employees or Independent Contractors of the Company or any of its Related Entities to restrict, reduce, sever or otherwise alter their relationship with the Company or any of its Related Entities; or (B) to hire or recruit on the Executive's own behalf or on behalf of any other person or entity, directly or indirectly, any Employee or Independent Contractor of the Company who at any time was supervised (1) directly by the Executive or (2) by another person who was supervised directly by the Executive; or (C) whether as a direct solicitor or provider of such services, or in a direct management or direct supervisory capacity over others who solicit or provide such services, to solicit or provide services that fall within the definition of Restricted Activities as defined in Subsection 18(f)(ii) below to any Customer of the Company or its Related Entities.

(ii) For purposes of this Agreement, a "Customer" shall mean any person or entity: (a) with which the Executive has engaged in material discussions regarding Restricted Activities at any time within 12 months prior to the end of the Executive's employment; (b) whose business dealings with the Company are or were managed or supervised by the Executive as part of his duties for the Company; or (c) about which the Executive obtained Confidential Information solely as a result of the Executive's employment with the Company. "Customer" also includes a prospective customer with which the Executive has engaged in material discussions regarding Restricted Activities at any time within 12 months prior to the end of the Executive's employment or about which Executive obtained Confidential Information solely as a result of the Executive's employment with the Company. "Employee or Independent Contractor" shall mean any employee or independent contractor who, at the time of the recruitment or hire by the Executive or by anyone the Executive is overseeing, is currently employed or engaged with the Company or who was employed or engaged with the Company at any time during the twelve (12) month period preceding the date of the recruitment or hire by the Executive or by anyone the Executive is overseeing.

(f) **Covenants Not to Compete**

(i) **Non-Competition.** The Executive understands that the Company operates across the United States and Canada. The Executive acknowledges that the Executive's duties as Executive Vice President, Merchandising, Inventory and Replenishment, will entail involvement with the entire range of the Company's operations across the United States and Canada, and that the Executive's extensive familiarity with the Company's business and Confidential Information justifies a restriction applicable across the entire geographic footprint in which the Company provides services and does business. To the fullest extent permitted by any applicable law, the Executive covenants and agrees that during the period from the date hereof until, one (1) year immediately following the termination, for any reason, of the Executive's employment with the Company (the "Non-Compete Period"), the Executive will not:

(A) own or hold, directly or beneficially, as a shareholder, option holder, warrant holder, partner, member or other equity or security owner or holder of any company or business that derives more than 15% of its revenue from the Restricted Activities (as defined below) within the Restricted Area (as defined below), or any company or business controlling, controlled by or under common control with any company, business or division directly engaged in such Restricted Activities within the Restricted Area (any of the foregoing, a "Restricted Company"); or

(B) engage or participate with any Restricted Company in the Restricted Activities within the Restricted Area which the Executive will use or disclose or could reasonably be expected to use or disclose any Confidential Information for the purpose of providing, or attempting to provide, such Restricted Company with a competitive advantage in the industry; or

(C) engage or participate in the same or similar capacity that the Executive worked for with the Company during the last twelve (12) months of Executive's employment with any Restricted Company in the Restricted Activities within the Restricted Area.

(ii) **Restricted Activities/Restricted Area.** For purposes of this Agreement, the term "Restricted Activities" means (1) the retail, commercial and/or wholesale sale, rental, and/or distribution of parts, accessories, supplies (including, but not limited to, paint), equipment and/or maintenance items for automobiles, light and heavy duty trucks (both commercial and non-commercial), off-road equipment, buses, recreational vehicles, and/or agricultural equipment, and/or (2) the provision of any automotive-related service (including, but not limited to, shop management, inventory control, and/or vehicle repair software or marketing) to auto repair shops, garages, specialty-service providers (e.g. any business that specializes in automotive oil changes, painting, tires, mufflers, brakes, transmission, and/or body work) and/or service centers, including, but not limited to painting, collision or body service centers. The term "Restricted Area" means: (1) the United States of America and Canada, including their territories and possessions; (2) the

United States of America; (3) in any location where a Customer is located if that Customer is purchasing products or services from the Company from that location as of the end of the Executive's employment; (4) the area within which Executive was assigned during the last six (6) months of his employment with the Company. In the event it is determined by judicial action that any portion of the Restricted Area is unenforceable, the geographic scope of the restriction shall be limited to any/all of the preceding as a court of competent jurisdiction shall deem reasonable and enforceable.

(iii) **Association with Restricted Company.** In the event that the Executive intends to associate (whether as an employee, consultant, independent contractor, officer, manager, advisor, partner, Executive, volunteer or director) with any Restricted Company during the Non-Compete Period, the Executive must provide information in writing to the Company relating to the activities proposed to be engaged in by the Executive for such Restricted Company. All such current associations are set forth on Exhibit B to this Agreement. In the event that the Company consents in writing to the Executive's engagement in such activity, the engaging in such activity by the Executive shall be conclusively deemed not to be a violation of this Subsection 18(f). Such consent is not intended and shall not be deemed to be a waiver or nullification of the covenant of non-competition of the Executive or other similarly bound Executives.

(iv) **Limitations.** Nothing in this section shall be construed to limit Executive's ability to own a de minimis share of stock (defined as less than 5% of the outstanding common stock) of a publicly traded corporation, regardless of whether such entity is competitive with the Company. Nothing in this section shall be construed to limit the Executive's ability after separation to take a position with a company that competes with the Company which has multiple divisions or business units, so long as the Executive's employment with the competitor is not within the division or business unit that engages in Restricted Activities, and so long as the confidentiality and other provisions of this Agreement are adhered to in all respects. Nothing in this section shall be construed to prohibit the Executive from engaging in non-targeted solicitation of Employees and Independent Contractors of the Company such as advertisements to the general public.

(g) **Non-Disparagement.** Except as otherwise provided in Section 18(a)(iii) of this Agreement, the Executive agrees that while the Executive is employed by the Company and at all times following the termination of the Executive's employment with the Company for any reason, the Executive will not take any action or make any statement which disparages the Company or its practices or which disrupts or impairs its normal operations, such that it causes a material adverse impact to the Company.

(h) **Effect of Non-Payment of Benefits; Clawback.** The Executive's post-termination of employment obligations under this Paragraph 18 shall cease upon the Company's failure to make any payments or benefits hereunder as a result of the termination of the Executive's employment when due if within 15 days after written notice from the Executive to the Company of such failure, the Company does not make the required payment. In the event that the Executive materially violates Subsection 18(e) or 18(f), and does not cure such violation (if it can be cured) within five (5) days after written notice of such failure, the Executive agrees that calculation of the harm to the Company from such violation would be uncertain and not capable of being readily ascertained, and that as a reasonable estimation of the harm to the Company from such violation

the Executive shall repay to the Company a portion of the Termination Payment paid to the Executive pursuant to Section 4(d)(i) equal to a fraction, the numerator of which is the number of days left in the applicable period under Subsection 18(e) or 18(f), and the denominator of which is the total number of days in the applicable period under such Section. In the event that the Executive materially violates Subsection 18(a), 18(c) or 18(g), and does not cure such violation (if it can be cured) within five days after written notice of such failure, the Executive agrees that calculation of the harm to the Company from such violation would be uncertain and not capable of being readily ascertained, and that as a reasonable estimation of the harm to the Company from such violation the Executive shall repay to the Company a portion of the Termination Payment paid to the Executive pursuant to Section 4(d)(i) equal to a fraction, the numerator of which is the number of days left in the one (1) year period immediately following the termination and the denominator of which is 365. The Executive further agrees that in addition to Executive's repayment obligations with respect to breaches of Subsection 18(a), 18(c), 18(e), 18(f), or 18(g), the Company shall have the right to seek equitable relief pursuant to Subsection 18(i) hereunder.

(i) **Specific Enforcement; Remedies Cumulative.** The Executive acknowledges that the Company and Related Entities, as the case may be, will be irreparably injured if the provisions of Subsections 18(a), 18(b), 18(c), 18(e), 18(f) and 18(g) hereof are not specifically enforced and the Executive agrees that the terms of such provisions (including without limitation the periods set forth in Subsections 18(e), 18(f) and 18(g)) are reasonable and appropriate. If the Executive commits, or the Company has evidence based on which it reasonably believes the Executive threatens to commit, a material breach of any of the provisions of Subsections 18(a), 18(b), 18(c), 18(e), 18(f) or 18(g) hereof, the Company and/or Related Entities, as the case may be, shall have the right and remedy, in addition to and not in limitation of any other remedy that may be available at law or in equity, to have the provisions of Subsections 18(a), 18(b), 18(c), 18(e), 18(f) or 18(g) hereof specifically enforced by any court having jurisdiction through immediate injunctive and other equitable relief, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and/or Related Entities and that money damages will not provide an adequate remedy therefore. Such injunction shall be available without the posting of any bond or other security, and the Executive hereby consents to the issuance of such injunction.

(j) **Re-Set of Period for Non-Competition and Non-Interference.** In the event that a legal or equitable action is commenced with respect to any of the provisions of Subsections 18(e) or 18(f) hereof and the Executive has not complied, in all material respects, with the provisions in such subsections with respect to which such action has been commenced, then the one-year period, as described in such subsections not so complied with by the Executive, shall be extended from its original expiration date, day-for-day, for each day that the Executive is found to have not complied, in all material respects, with such subsections.

(k) **Jurisdiction and Venue.** WITH RESPECT TO THE ENFORCEMENT OF ANY AND ALL LOYALTY OBLIGATIONS ARISING UNDER PARAGRAPH 18, THE SUBSECTIONS 18(k) AND 18(l) OF THIS AGREEMENT SHALL APPLY. THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THE FOLLOWING COURTS IN MATTERS RELATED TO THIS PARAGRAPH 18 AND AGREE NOT TO COMMENCE ANY SUIT, ACTION OR PROCEEDING RELATING THERETO EXCEPT IN ANY OF SUCH COURTS: THE STATE COURTS OF THE STATE OF NORTH CAROLINA, THE COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE CITY OF RALEIGH, NORTH CAROLINA.

(l) **Executive Acknowledgments.** The Executive acknowledges and agrees that (i) any and all loyalty obligations arising under Paragraph 18 were discussed with, and accepted by, the Executive prior to the commencement of the Executive's employment as Executive Vice President; (ii) the loyalty obligations arising under Paragraph 18 constitute a material inducement to the Company to enter into this Agreement and to agree to employ the Executive on the terms and conditions stated herein; (iii) the loyalty obligations arising under Paragraph 18 are reasonable in time, territory, and scope, and in all other respects; (iv) should any part or provision of any covenant be held invalid, void, or unenforceable in any court of competent jurisdiction, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement; and (v) if any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, territory, definition of activities, or definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable terms shall be redefined to carry out the Executive's and the Company's intent in agreeing to these restrictive covenants. These restrictive covenants shall be construed as agreements independent of any other provision in this Agreement and the existence of any claim or cause of action of the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the loyalty obligations arising under Paragraph 18.

20. **Adherence to Company Policies.** The Executive agrees to adhere diligently to all established Company policies and procedures, including but not limited to the Company's Guidelines on Significant Governance Issues, Code of Ethics and Business Conduct and, if applicable, the Code of Ethics for Financial Professionals. The Executive agrees that if the Executive does not adhere to any of the provisions of such Guidelines and Codes, the Executive will be in breach of the provisions hereof.

21. **Representations.** The Executive agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement. The Executive represents that Executive's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by the Executive in confidence or in trust prior to the Executive's employment by the Company. The Executive has not entered into, and the Executive agrees the Executive will not enter into, any oral or written agreement in conflict herewith and the Executive's employment by the Company and the Executive's services to the Company will not violate the terms of any oral or written agreement to which the Executive is a party.

22. **Binding Effect of Execution.** The Company and the Executive agree that this Agreement shall not bind or be enforceable by or against either party until this Agreement has been duly executed by both the Executive and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date first written above.

Advance Auto Parts, Inc.

By: _____(SEAL)

Print Name: _____

Title: _____

Address: 5008 Airport Road
Roanoke, VA 24012

Executive

Name: **Michael T. Broderick**

Signature: _____

Address: 5983 Cavanaugh Drive
Raleigh, NC 27614

EXHIBIT A

TERMINATION CERTIFICATION

This is to certify that I do not have in my possession, nor have I failed to return, any material devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items belonging to the Company.

I further certify that I have, to the best of my knowledge, complied in all material respects with all the terms of my Employment Agreement with the Company.

Date: _____

Executive's Signature

Executive's Name (Print)

EXHIBIT B

LIST OF ASSOCIATIONS WITH RESTRICTED COMPANIES

___ None

___ Additional Sheets Attached

Signature of the Executive: _____

Print Name of the Executive: _____

Date: _____

EMPLOYMENT AGREEMENT

AGREEMENT (the “Agreement”) dated as of **October 3, 2018** between Advance Auto Parts, Inc. (“Advance” or the “Company”), a Delaware corporation, its subsidiaries, predecessors, successors, affiliated corporations, companies and partnerships, and its current and former officers, directors, and agents (collectively, the “Company”) and **Reuben E. Slone** (the “Executive”).

The Company and the Executive agree as follows:

1 . **Position; Term of Employment.** Subject to the terms and conditions of this Agreement, the Company agrees to employ the Executive, and the Executive agrees to serve the Company, as its **Executive Vice President, Supply Chain** (“Executive’s Position”). The parties intend that the Executive shall continue to so serve in this capacity throughout the Employment Term (as such term is defined below).

The term of Executive’s employment by the Company pursuant to this Agreement shall commence on **October 3, 2018** (“Commencement Date”) and shall end on the day prior to the second anniversary of the Commencement Date, unless sooner terminated under the provisions of Paragraph 4 below (“Employment Term”); provided, however, that commencing on the second anniversary of the Commencement Date (“Second Anniversary Date”) the Employment Term shall be automatically extended for an additional period of one year unless, not later than 120 days prior to the Second Anniversary Date, either party shall have given notice to the other that it does not wish to extend the Employment Term (a “Non-Renewal”), in which case the Employment Term shall end on the day prior to the Second Anniversary Date; and, commencing on October 1, 2020, on each one-year anniversary of the Second Anniversary Date (“One-Year Anniversary Date”) thereafter the Employment Term shall be automatically extended for an additional period of one year unless, not later than 120 days prior to such One-Year Anniversary Date, either party shall have given notice of a Non-Renewal to the other, in which case the Employment Term shall end 120 days following such notice.

2. **Duties.**

(a) **Duties and Responsibilities; Location.** The Executive shall have such duties and responsibilities of the Executive’s Position and such other duties and responsibilities that are reasonably consistent with the Executive’s Position as the Company may request from time to time, including, but not limited to, building a supply chain strategy to optimize processes, increase customer satisfaction and building a high-performing team in order to achieve a successful transformation of the Company’s supply chain operations and directing and controlling the Company’s supply chain activities throughout multiple facilities. Executive will also be responsible for AAAP’s enterprise procurement function and will be responsible for continuing the zero-based budgeting work across all departments. Executive shall perform such duties and carry out such responsibilities to the best of the Executive’s ability for the purpose of advancing the business of the Company and its subsidiaries, if any (jointly and severally, “Related Entities”). The Executive shall observe and conform to the applicable policies and directives promulgated

from time to time by the Company and its Board of Directors or by any superior officer(s) of the Company. Subject to the provisions of Subsection 2(b) below, the Executive shall devote the Executive's full time, skill and attention during normal business hours to the business and affairs of the Company and its Related Entities, except for holidays and vacations consistent with applicable Company policy and except for illness or incapacity. The services to be performed by the Executive hereunder may be changed from time to time at the discretion of the Company. The Company shall retain full direction and control of the means and methods by which the Executive performs the Executive's services and of the place or places at which such services are to be rendered. Effective on the Commencement Date, the Executive's principal office location shall be the Company's offices located in Raleigh, North Carolina. The Executive agrees to relocate his primary residence to the Raleigh, North Carolina area as soon as practicable after the Commencement Date but in no event later than September 30, 2020. Executive understands that, while his principal office is located in North Carolina, the Executive's Position will entail involvement with the entire range of the Company's operations across the United States and Canada, and may from time to time require travel throughout the United States and Canada.

(b) **Other Activities.** During the Term of this Agreement, it shall not be a violation of this Agreement for the Executive to, and the Executive shall be entitled to (i) serve on corporate, civic, charitable, retail industry association or professional association boards or committees within the limitations of the Company's Guidelines on Significant Governance Issues, (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions and (iii) manage personal investments, so long as the activities set forth in (i), (ii), and (iii) above (x) do not significantly interfere with the performance of the Executive's duties and responsibilities as required by this Agreement and do not involve a conflict of interest with the Executive's duties or responsibilities hereunder, (y) are in compliance with the Company's policies and procedures in effect from time to time, including the Code of Ethics & Business Conduct and the Guidelines on Significant Governance Issues, in each case as may be amended periodically, and (z) do not violate Section 18 of this Agreement.

3. **Compensation.**

(a) **Base Salary.** During the Employment Term, the Company shall pay to the Executive a salary of \$625,000.00 per annum, payable consistent with the Company's standard payroll practices then in effect ("Base Salary"). Such Base Salary shall be reviewed for increases at least annually, with any changes taking into account, among other factors, Company and individual performance.

(b) **Bonus.** The Executive shall receive a bonus in such amounts and based upon achievement of such corporate and/or individual performance and other criteria as shall be approved by the Compensation Committee from time to time, with a target amount, if such performance and other criteria are achieved, of eighty-five percent (85%) of the Base Salary (the "Target Bonus Amount"), with a maximum payout of one hundred seventy percent (170%) of the Base Salary during the initial Term of this Agreement, which bonus shall be paid in a manner consistent with the Company's bonus practices then in effect. The Target Bonus Amount and the maximum payout for any subsequent renewal Term of the Agreement shall be determined by the

Compensation Committee. To be eligible to receive a bonus, the Executive must be employed by the Company on the date the bonus is paid.

(c) **Incentive Compensation Clawback.** Any compensation provided by the Company to the Executive, excepting only compensation pursuant to Section 3(a) above, shall be subject to the Company's Incentive Compensation Clawback Policy as such policy shall be adopted, and from time to time amended, by the Board or the Compensation Committee.

(d) **Benefit Plans.** During the Employment Term, the Executive shall be entitled to participate in all retirement and employment benefit plans and programs of the Company that are generally available to senior executives of the Company. Such participation shall be pursuant to the terms and conditions of such plans and programs, as the same shall be amended from time to time.

(e) **Business Expenses.** During the Employment Term, the Company shall, in accordance with policies then in effect with respect to payments of business expenses, pay or reimburse the Executive for all reasonable out-of-pocket travel and other expenses (other than ordinary commuting expenses) incurred by the Executive in performing services hereunder; provided, however, that, with respect to reimbursements, if any, not otherwise excludible from the Executive's gross income, to the extent required to comply with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), no reimbursement of expenses incurred by the Executive during any taxable year shall be made after the last day of the following taxable year, and the right to reimbursement of such expenses shall not be subject to liquidation or exchange for another benefit. All such expenses shall be accounted for in such reasonable detail as the Company may require.

4. **Termination of Employment.**

(a) **Death.** In the event of the death of the Executive during the Employment Term, the Executive's employment shall be automatically terminated as of the date of death and a lump sum amount, equivalent to the Executive's annual Base Salary and Target Bonus then in effect, shall be paid, within 60 days after the date of the Executive's death, to the Executive's designated beneficiary, or to the Executive's estate or other legal representative if no beneficiary was designated at the time of the Executive's death. In the event of the death of the Executive during the Employment Term, the restrictions and deferral limitations applicable to any Option, Stock Appreciation Right ("SAR"), Restricted Stock, Restricted Stock Unit, Performance Share, Performance Unit, Deferred Stock Unit, Dividend Equivalent or any Stock Grant Awards (collectively "Awards"), as such Awards are defined in the 2014 LTIP (or any applicable successor or predecessor plan of the Company), granted to the Executive shall be subject to the provisions regarding vesting and transferability in those circumstances as are set forth in the applicable award agreement or grant. The foregoing benefit will be provided in addition to any death, disability or other benefits provided under the Company's benefit plans and programs in which the Executive was participating at the time of his death. Except in accordance with the terms of the Company's benefit programs and other plans and programs then in effect, after the date of the Executive's death, the Executive shall not be entitled to any other compensation or benefits from the Company or hereunder.

(b) **Disability.** In the event of the Executive's Disability as hereinafter defined, the employment of the Executive may be terminated by the Company, effective upon the Disability Termination Date (as defined below). In such event, the Company shall pay the Executive an amount equivalent to thirty percent (30%) of the Executive's Base Salary for a one year period, which amount shall be paid in one lump sum within 45 days following the Executive's "separation from service," as that term is defined in Section 409A of the Code and regulations promulgated thereunder, from the Company (his "Separation From Service"), provided that the Executive or an individual duly authorized to execute legal documents on the Executive's behalf executes and does not revoke within any applicable revocation period the release described in Section 4(k)(ii)(B). The foregoing benefit will be provided in addition to any disability or other benefits provided under the Company's benefit plans in which the Executive participates. For the avoidance of doubt, participation by the Executive in the Company's long-term and/or short-term disability insurance benefit plans is voluntary on the part of the Executive and is made available by the Company at the sole cost of the Executive. The purpose and intent of the preceding three sentences is to ensure that the Executive receives a combination of insurance benefits and Company payments following the Disability Termination Date equal to 100% of his then-applicable Base Salary for such one-year period. In the event that Executive does not elect to participate in the Company's long-term and/or short-term disability insurance benefit plans, the Company shall not be obligated to pay the Executive any amount in excess of thirty percent (30%) of the Executive's Base Salary. In the event of the Disability of the Executive during the Employment Term, the restrictions and deferral limitations applicable to any Option, SAR, Restricted Stock, Restricted Stock Unit, Performance Unit, Deferred Stock Unit, Dividend Equivalent or any Stock Grant Awards (collectively "Awards"), as such Awards are defined in the 2014 LTIP (or any applicable successor or predecessor plan of the Company), granted to the Executive shall be subject to the provisions regarding vesting and transferability in those circumstances as are set forth in the applicable award agreement or grant. The Company shall also pay to the Executive a lump sum amount equivalent to the Executive's Target Bonus Amount then in effect, which amount shall be paid in one lump sum within 45 days following the Executive's Separation from Service, provided that the Executive or an individual duly authorized to execute legal documents on the Executive's behalf executes and does not revoke within any applicable revocation period the release described in Section 4(j)(ii)(B). Otherwise, after the Disability Termination Date, except in accordance with the Company's benefit programs and other plans then in effect, the Executive shall not be entitled to any compensation or benefits from the Company or hereunder.

"Disability," for purposes of this Agreement, shall mean the Executive's incapacity due to physical or mental illness causing the Executive's complete and full-time absence from the Executive's duties, as defined in Paragraph 2, for either a consecutive period of more than six months or at least 180 days within any 270-day period.

(c) **Termination by the Company for Due Cause.** Nothing herein shall prevent the Company from terminating the Executive's employment at any time for "Due Cause" (as hereinafter defined). The Executive shall continue to receive the Base Salary provided for in this Agreement only through the period ending with the date of such termination. Any rights and benefits the Executive may have under employee benefit plans and programs of the Company shall

be determined in accordance with the terms of such plans and programs. Except as provided in the two immediately preceding sentences, after termination of employment for Due Cause, the Executive shall not be entitled to any compensation or benefits from the Company or hereunder.

For purposes of this Agreement, "Due Cause" shall mean:

(i) a material breach by the Executive of the Executive's duties and obligations under this Agreement or violation in any material respect of any code or standard of conduct generally applicable to the officers of the Company that is demonstrably and materially injurious to the Company, monetarily or otherwise, including, but not limited to, the Company's Code of Ethics and Business Conduct, which, if curable, has not been cured by the Executive within 15 business days after the Executive's receipt of notice to the Executive specifying the nature of such breach or violations;

(ii) a material violation by the Executive of the Executive's Loyalty Obligations as provided in Paragraph 18;

(iii) the commission by the Executive or indictment for a crime of moral turpitude or a felony involving fraud, breach of trust, or misappropriation;

(iv) the Executive's willfully engaging in bad faith conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or

(v) a determination by the Company that the Executive is in violation of the Company's Substance Abuse Policy.

(d) **Termination by the Company Other than for Due Cause, Death or Disability.** The foregoing notwithstanding, the Company may terminate the Executive's employment for any or no reason, as it may deem appropriate in its sole discretion and judgment; provided, however, that in the event such termination is not due to Death, Disability or Due Cause, the Executive shall (i) be entitled to a Termination Payment as hereinafter defined and (ii) be sent written notice stating the termination is not due to Death, Disability or Due Cause. In the event of such termination by the Company, the Executive shall receive certain payments and benefits as set forth in this Subsection 4(d).

(i) **Termination Payment.** If the Company terminates the Executive's employment for other than Death, Disability or Due Cause prior to the expiration of the Employment Term, the term "Termination Payment" shall mean a cash payment equal to the sum of:

(A) an amount equal to the Executive's annual Base Salary (or, if the date of termination of Executive's employment occurs prior to October 1, 2019, the Base Salary that which would otherwise have been payable through September 30, 2020), as in effect immediately prior to such termination (unless the termination is in connection with an action that would have enabled the Executive to terminate his employment for Good Reason pursuant to Section 4(e)(i) (A), in which case, it

shall be the Base Salary in effect prior to any such material diminution of the Base Salary) (the “Termination Salary Payment”), and

(B) an amount equal to the average value of the annual bonuses pursuant to Section 3(b) paid to Executive for the three completed fiscal years immediately prior to the date of such termination; provided, however, that if Executive has been employed by the Company for fewer than three complete fiscal years prior to the date of such termination, Executive shall receive an amount equal to the average value of the annual bonuses pursuant to Section 3(b) that the Executive has received during the period of the Executive’s employment.

(ii) **Outplacement Services.** The Company shall make outplacement services available to the Executive, at a cost to the Company not to exceed \$12,000, for a period of time not to exceed 12 months following the date of termination pursuant to the Company’s Executive outplacement program with the Company’s selected vendor, to include consulting, search support and administrative services.

(iii) **Medical Coverage.** In addition, the Company shall provide the Executive with medical, dental and vision insurance benefits (which may also cover, if applicable, the Executive’s spouse and eligible dependents) for three hundred sixty-five (365) days from the date of the Executive’s termination of employment or until such time as the Executive is eligible for group health coverage under another employer’s plan, whichever occurs first. In order to trigger the Company’s obligation to provide health care continuation benefits, the Executive must elect continuation coverage pursuant to the Consolidation Omnibus Budget Act of 1985, as amended (“COBRA”), upon such eligibility. The Company’s obligation shall be satisfied solely through the payment of the Executive’s COBRA premiums during the 365-day period, but only to the extent that such premiums exceed the amount that would otherwise have been payable by the Executive for coverage of the Executive and the Executive’s eligible dependents that were covered by the Company’s medical, dental, and vision insurance programs at the time of the Executive’s termination of employment had the Executive continued to be employed by the Company.

(iv) **Timing of Payments.** The Termination Salary Payment and Termination Bonus Payment shall be paid in one lump sum within 45 days following the date of the Executive’s Separation From Service, provided that the Executive executes and does not revoke within any applicable revocation period the release described in Section 4(j)(ii)(B) below.

(v) **Entire Obligation.** Except as provided in Subsection 4(j) of this Agreement, following the Executive’s termination of employment under this Subsection 4(d), the Executive will have no further obligation to the Company pursuant to this Agreement (other than under Sections 6, 7, 8, 9, 10, 11, 16, 18, 19 (to the extent such policies, guidelines and codes by their terms apply post-employment) and 20). Except for the Termination Payment and as otherwise provided in accordance with the terms of the Company’s benefit programs and plans then in effect or as expressly required under

applicable law, after termination by the Company of employment for other than Death, Disability or Due Cause, the Executive shall not be entitled to any other compensation or benefits from the Company or hereunder.

(e) **Resignation from Employment by the Company for Good Reason.** Termination by the Company without Due Cause under Subsection 4(d) shall be deemed to have occurred if the Executive elects to terminate the Executive's employment for Good Reason.

(i) **Good Reason.** For purposes of this Agreement, "Good Reason" shall mean:

(A) a material diminution in the Executive's "Total Direct Compensation," which shall mean the value of the total of the Executive's Base Salary, Target Bonus opportunity, and annual equity award taken together;

(B) a material diminution in the Executive's authority, duties, or responsibilities;

(C) the Company's requiring the Executive to be based more than 60 miles from the Company's office in Raleigh, North Carolina;

(D) delivery by the Company of a notice of Non-Renewal; or

(E) any other action or inaction that constitutes a material breach by the Company of the terms of this Agreement.

(ii) **Notice of Good Reason Condition.** In order to be considered a resignation for Good Reason for purposes of this Agreement, the Executive must provide the Company with written notice and description of the existence of the Good Reason condition within 60 days of the initial discovery by the Executive of the existence of said Good Reason condition and the Company shall have 30 business days to cure such Good Reason condition.

(iii) **Effective Date of Resignation.** The effective date of the Executive's resignation for Good Reason must occur no longer than six (6) months following the expiration of the cure period set forth in Section 4(e)(ii), above. If Executive has not resigned for Good Reason effective within six (6) months following the expiration of the cure period set forth in Section 4(e)(ii), above the Executive shall be deemed to have waived said Good Reason condition.

(f) **Termination by the Company Other Than For Due Cause, Death or Disability or Resignation from Employment for Good Reason Within Twelve Months After a Change in Control.** If the Company terminates the Executive's employment for other than Death, Disability or Due Cause prior to the expiration of the Employment Term and within twelve (12) months after a Change In Control (as defined below), or if the Executive elects to terminate the Executive's employment for Good Reason prior to the expiration of the Employment Term and

within twelve (12) months after a Change In Control, then (i) the Executive shall be entitled to a Change In Control Termination Payment as hereinafter defined in lieu of the Termination Payment set forth in Subsection 4(d)(i) above, (ii) the Executive shall receive benefits as defined in Subsections 4(d)(ii) and (iii) above, and (iii) either the Company or the Executive, as the case may be, shall provide Notice of Termination pursuant to Subsection 4(j)(i) other than in the case of a Non-Renewal, which shall be communicated in accordance with Section 1.

(i) **Change In Control Termination Payment.** The term “Change In Control Termination Payment” shall mean a cash payment equal to the sum of:

(A) an amount equal to two times the Executive’s annual Base Salary, as in effect immediately prior to such termination (unless the termination is due to Section 4(e)(i)(A), in which case, it shall be two times the Executive’s annual Base Salary in effect prior to any such material diminution of the Base Salary) (the “Change In Control Termination Salary Payment”), and

(B) an amount equal to two times the Executive’s Target Bonus Amount, as in effect immediately prior to such termination (unless the termination is due to Sections 4(e)(i)(A) or (E), in which case, it shall be two times the Executive’s Target Bonus in effect prior to any such material diminution of the Target Bonus or termination of the bonus plan, respectively) (the “Change In Control Termination Bonus Payment”).

(ii) **Timing of Payments.** The Change In Control Termination Salary Payment and the Change In Control Termination Bonus Payment shall be paid in lump sum payments within 45 days following the date of the Executive’s Separation From Service, provided that the Executive executes and does not revoke within any applicable revocation period the release described in Section 4(j)(ii) below.

(iii) **Entire Obligation.** Except as provided in Subsection 4(i) of this Agreement, following the Executive’s termination of employment under this Subsection 4(f), the Executive will have no further obligation to the Company pursuant to this Agreement (other than under Sections 6, 7, 8, 9, 10, 11, 16, 18, 19 (to the extent such policies, guidelines and codes by their terms apply post-employment) and 20). Except for the Change In Control Termination Payment and as otherwise provided in accordance with the terms of the Company’s benefit programs and plans then in effect or as expressly required under applicable law, within twelve (12) months after a Change In Control, after termination by the Company of employment for other than Death, Disability or Due Cause or after termination by the Executive for Good Reason, the Executive shall not be entitled to any other compensation or benefits from the Company or hereunder.

(iv) **Change In Control.** For purposes of this Agreement, “Change In Control” shall mean the occurrence of any of the following events:

(A) a Transaction, as defined below, unless securities possessing more than 50% of the total combined voting power of the survivor’s or acquiror’s outstanding

securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company's outstanding securities immediately prior to that transaction, or

(B) any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires, including but not limited to by means of a merger or consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 25% of the total combined voting power of the Company's outstanding securities unless pursuant to a tender or exchange offer made directly to the Company's stockholders that the Board recommends such stockholders accept, other than (i) the Company or any of its Affiliates, (ii) an employee benefit plan of the Company or any of its Affiliates, (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(C) over a period of thirty-six (36) consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals who either (i) have been Board members continuously since the beginning of that period, or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in the preceding clause (i) who were still in office at the time that election or nomination was approved by the Board.

For purposes of Section 4(f)(iv)(A), "Transaction" means (1) consummation of any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) any sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions or (4) any liquidation or dissolution of the Company.

(v) **IRC 280G "Net-Best"**. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that (A) any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its affiliated entities) or any entity which effectuates a Change in Control (or any of its affiliated entities) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise) (the "Payments") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the "Excise Tax") after use of all available exemptions, inclusions, etc., and (B) the reduction of the amounts

payable to Executive to the maximum amount that could be paid to Executive without giving rise to the Excise Tax (the “Safe Harbor Cap”) would provide Executive with a greater after tax amount than if such amounts were not reduced, then the amounts payable to Executive shall be reduced (but not below zero) to the Safe Harbor Cap. If the reduction of the amounts payable would not result in a greater after tax result to Executive, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(A) Reduction of Payments. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing first cash amounts payable under this Agreement (in contrast to benefit amounts), and applying any reduction to amounts payable in the following order: (A) first, any cash amounts payable to Executive as a Termination Payment or Change in Control Termination Payment under this Agreement, as applicable; (B) second, any cash amounts payable by Company for Outplacement Services on behalf of Executive under the terms of this Agreement; (C) third, any amounts payable by Company on behalf of Executive under the terms of this Agreement for continued Medical Coverage; (D) fourth, any other cash amounts payable by Company to or on behalf of Executive under the terms of this Agreement; (E) fifth, outstanding performance-based equity grants to the extent that any such grants would be subject to the Excise Tax; and (F) finally, any time-vesting equity grants to the extent that any such grants would be subject to the Excise Tax.

(B) Determinations by Accounting/Valuation Firm. All determinations required to be made under this Section 4(f) (v) shall be made by the public accounting firm and/or valuation firm that is retained by the Company as of the date immediately prior to the Change in Control (the “Accounting Firm”) which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from the Company or Executive that there has been a Payment, or such earlier time as is requested by the Company. Notwithstanding the foregoing, in the event (A) the Board shall determine prior to the Change in Control that the Accounting Firm is precluded from performing such services under applicable auditor independence rules or (B) the Audit Committee of the Board determines that it does not want the Accounting Firm to perform such services because of auditor independence concerns or (C) the Accounting Firm is serving as accountant or auditor for the person(s) effecting the Change in Control, the Board shall appoint another nationally recognized public accounting firm reasonably acceptable to Executive to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. If Payments are reduced to the Safe Harbor Cap or the Accounting Firm determines that no Excise Tax is payable by Executive without a reduction in Payments, the Accounting Firm shall provide a written opinion to Executive to the effect that the Executive is not required to report any Excise Tax on the Executive’s federal income tax return, and that the failure to report the Excise Tax, if any, on Executive’s applicable federal income tax return will not result in the imposition of

a negligence or similar penalty. The determination by the Accounting Firm shall be binding upon the Company and Executive (except as provided in paragraph 4(f)(v)(C) below).

(C) **Excess Payment/Underpayment.** If it is established pursuant to a final determination of a court or an Internal Revenue Service (the “IRS”) proceeding which has been finally and conclusively resolved, that Payments have been made to, or provided for the benefit of, Executive, which are in excess of the limitations provided in this Section (referred to hereinafter as an “Excess Payment”), Executive shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of Executive’s receipt of such Excess Payment until the date of such repayment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the determination, it is possible that Payments which will not have been made by the Company should have been made (an “Underpayment”), consistent with the calculations required to be made under this Section. In the event that it is determined (i) by the Accounting Firm, the Company (which shall include the position taken by the Company, or together with its consolidated group, on its federal income tax return) or the IRS or (ii) pursuant to a determination by a court, that an Underpayment has occurred, the Company shall pay an amount equal to such Underpayment to Executive within ten (10) days of such determination together with interest on such amount at the applicable federal rate from the date such amount would have been paid to Executive until the date of payment. Executive shall cooperate, to the extent the Executive’s reasonable expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the IRS in connection with the Excise Tax or the determination of the Excess Payment. Notwithstanding the foregoing, in the event that amounts payable under this Agreement were reduced pursuant to paragraph 4(f)(v)(A) and the value of stock options is subsequently re-determined by the Accounting Firm within the context of Treasury Regulation §1.280G-1 Q/A 33 that reduces the value of the Payments attributable to such options, the Company shall promptly pay to Executive any amounts payable under this Agreement that were not previously paid solely as a result of paragraph 4(f)(v)(A) up to the Safe Harbor Cap.

(g) **Voluntary Termination Without Good Reason.** In the event that the Executive terminates the Executive’s employment at the Executive’s own volition prior to the expiration of the Employment Term (except as provided in Subsection 4(e) above), such termination shall constitute a “Voluntary Termination” and in such event the Executive shall be limited to the same rights and benefits as provided in connection with a termination for Due Cause under Subsection 4(c) above.

(h) **Compliance With Code Section 409A.** Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and operated so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Code or shall comply with the requirements of such provision; provided however that in no

event shall the Company be liable to the Executive for or with respect to any taxes, penalties or interest which may be imposed upon the Executive pursuant to Section 409A. To the extent that any amount payable pursuant to Subsections 4(b), (d)(i), (d)(iii) or (f) constitutes a “deferral of compensation” subject to Section 409A (a “409A Payment”), then, if on the date of the Executive’s “separation from service,” as such term is defined in Treas. Reg. Section 1.409A-1(h)(1), from the Company (his “Separation from Service”), the Executive is a “specified employee,” as such term is defined in Treas. Reg. Section 1.409-1(i), as determined from time to time by the Company, then such 409A Payment shall not be made to the Executive earlier than the earlier of (i) six (6) months after the Executive’s Separation from Service; or (ii) the date of his death. The 409A Payments under this Agreement that would otherwise be made during such period shall be aggregated and paid in one lump sum, without interest, on the first business day following the end of the six (6) month period or following the date of the Executive’s death, whichever is earlier, and the balance of the 409A Payments, if any, shall be paid in accordance with the applicable payment schedule provided in this Section 4. To the extent any 409A Payment is conditioned on the Executive (or his legal representative) executing a release of claims, which 409A Payment would be made in a later taxable year of the Executive than the taxable year in which his Separation from Service occurs if such release were executed and delivered and became irrevocable at the last possible date allowed under this Agreement, such 409A Payment will be paid no earlier than such later taxable year. In applying Section 409A to compensation paid pursuant to this Agreement, any right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. The Executive hereby acknowledges that he has been advised to seek and has sought the advice of a tax advisor with respect to the tax consequences to the Executive of all payments pursuant to this Agreement, including any adverse tax consequences or penalty taxes under Code Section 409A and applicable State tax law. Executive hereby agrees to bear the entire risk of any such adverse federal and State tax consequences and penalty taxes in the event any payment pursuant to this Agreement is deemed to be subject to Code Section 409A, and that no representations have been made to the Executive relating to the tax treatment of any payment pursuant to this Agreement under Code Section 409A and the corresponding provisions of any applicable State income tax laws.

(i) **Cooperation.** During the term of the Executive’s employment by the Company and for a period of one (1) year immediately following the termination of the Executive’s employment with the Company, the Executive agrees to be reasonably available to assist the Company and its representatives and agents with any business and/or litigation (or potential litigation) matters affecting or involving the Company. The Company will reimburse the Executive for all associated reasonable costs of travel.

(j) **Notice of Termination, Resignation and Release.** Any termination under Subsection 4(b) by the Company for Disability or Subsection 4(c) for Due Cause or by the Executive for Good Reason under Subsection 4(e) or by the Company or the Executive within twelve (12) months after a Change in Control under Subsection 4(f) or by the Executive by Voluntary Termination under Subsection 4(g) shall be communicated by Notice of Termination to the other party thereto given in accordance with Paragraph 10.

(i) **Notice of Termination.** For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision

in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such Notice, specifies the termination date (which date shall not be prior to the date of such notice or more than 15 days after the giving of such Notice).

(ii) **Resignation and Release.** Notwithstanding anything in this Agreement to the contrary, unless the Company provides otherwise, upon termination of employment for any reason, Executive shall be deemed to have resigned as a member of the Board of Directors of the Company, if applicable, and as an officer, director, manager and employee of the Company and its Related Entities and shall execute any documents and take any actions to effect the foregoing as requested by the Company. In order to be eligible to receive any payments or benefits hereunder as a result of the termination of the Executive's employment, in addition to fulfilling all other conditions precedent to such receipt, the Executive or the Executive's legal representative must within 21 days (or such other period as required under applicable law) after presentation of a release in form and substance reasonably satisfactory to the Company and its legal counsel, execute said release, and within 7 days (or such other period as required under applicable law) after such execution not revoke said release, on behalf of the Executive and the Executive's estate, heirs and representatives, releasing the Company, its Related Entities and each of the Company's and such Related Entities' respective officers, directors, employees, members, managers, agents, independent contractors, representatives, shareholders, successors and assigns (all of which persons and entities shall be third party beneficiaries of such release with full power to enforce the provisions thereof) from any and all claims related to the Executive's employment with the Company; termination of the Executive's employment; all matters alleged or which could have been alleged in a charge or complaint against the Company; any and all injuries, losses or damages to Employee, including any claims for attorney's fees; any and all claims relating to the conduct of any employee, servant, officer, director or agent of the Company; and any and all matters, transactions or things occurring prior to the date of said release, including any and all possible claims, known or unknown, which could have been asserted against the Company or the Company's employees, agents, servants, officers or directors. Notwithstanding the foregoing, the form of release shall except out therefrom, and acknowledge the Executive's continuing rights with respect to, the following: (i) all vested rights that the Executive may have under all welfare, retirement and other plans and programs of the Company in which the Executive was participating at the time of his employment termination, including all equity plans and programs of the Company with respect to which equity awards were made to the Executive, (ii) all continuing rights that the Executive may have under this Agreement, and (iii) all rights that the Executive may have following the termination of his employment under the Company's Certificate of Incorporation and Bylaws, any applicable Company insurance and any indemnity agreements to which the Executive is a party which provide for indemnification, insurance or other, similar coverage for the Executive with respect to his actions or inactions as an officer, employee and/or member of the Board. For clarification, unless and until the Executive executes and does not, within any applicable revocation period, revoke the release, the Company shall have no obligation to make any Termination Payment to the Executive, and, even if the Executive does not execute the release, the

Executive shall be bound by the post-termination provisions of this Agreement, including without limitation Section 18.

(k) **Earned and Accrued Payments.** The foregoing notwithstanding, upon the termination of the Executive's employment at any time, for any reason, the Executive shall be paid all amounts that had already been earned and accrued as of the time of termination, including but not limited to (i) any bonus that had been earned but not yet paid; and (ii) reimbursement for any business expenses accrued in accordance with Subsection 3(d).

(l) **Employment at Will.** The Executive hereby agrees that the Company may terminate the Executive's employment under this Paragraph 4 at will, without regard to: (i) any general or specific policies (written or oral) of the Company relating to the employment or termination of employment of its employees; (ii) any statements made to the Executive, whether oral or in any document, pertaining to the Executive's relationship with the Company; or (iii) without a determination of Due Cause by the Company.

5 . **Treatment of Equity Awards Upon Change In Control.** In the event of a Change in Control as defined hereinabove, the restrictions and deferral limitations applicable to any Option, Stock Appreciation Right ("SAR"), Restricted Stock, Restricted Stock Unit, Performance Share, Performance Unit, Deferred Stock Unit, Dividend Equivalent or any Stock Grant Awards (collectively "Awards") as such Awards are defined in the 2014 LTIP (or any applicable successor or predecessor plan of the Company), granted to the Executive shall be subject to such provisions regarding vesting and transferability in those circumstances as are set forth in the applicable award agreement or grant.

6. **Successors and Assigns.**

(a) **Assignment by the Company.** This Agreement shall be binding upon and inure to the benefit of the Company or any corporation or other entity to which the Company may transfer all or substantially all of its assets and business and to which the Company may assign this Agreement, in which case the term "Company," as used herein, shall mean such corporation or other entity, provided that no such assignment shall relieve the Company from any obligations hereunder, whether arising prior to or after such assignment.

(b) **Assignment by the Executive.** The Executive may not assign this Agreement or any part hereof without the prior written consent of the Company; provided, however, that nothing herein shall preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable following occurrence of the Executive's legal incompetency or Death and shall not preclude the legal representative of the Executive's estate from assigning any right hereunder to the person or persons entitled thereto under the Executive's will or, in the case of intestacy, to the person or persons entitled thereto under the laws of intestacy applicable to the Executive's estate. The term "beneficiaries," as used in this Agreement, shall mean a beneficiary or beneficiaries so designated to receive any such amount or, if no beneficiary has been so designated, the legal representative of the Executive (in the event of the Executive's incompetency) or the Executive's estate.

7. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.

8 . **Entire Agreement.** This Agreement, which shall include the Exhibits hereto, contains all of the understandings and representations between the parties hereto pertaining to the matters referred to herein, and supersedes all undertakings and agreements, whether oral or in writing, previously entered into by them with respect thereto, including without limitation any previous employment, severance or separation agreements (including any severance or change in control benefits contained therein); provided that the obligations set forth in Section 18 of this Agreement are in addition to any similar obligations Executive has to the Company or its affiliates. This Agreement may only be modified by an instrument in writing signed by both parties hereto.

9. **Waiver of Breach.** The waiver by any party of a breach of any condition or provision of this Agreement to be performed by such other party shall not operate or be construed to be a waiver of a similar or dissimilar provision or condition at the same or any prior or subsequent time.

10. **Notices.** Any notice to be given hereunder shall be in writing and delivered personally, or sent by certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

If to the Company:

Advance Auto Parts, Inc.
5008 Airport Road
Roanoke, VA 24012
Attn: General Counsel

With a copy to:

Advance Auto Parts, Inc.
2635 Millbrook Road
Raleigh, NC 27604
Attn: Chief Executive Officer

If to the Executive:

Reuben E. Slone
Executive's Address Currently on File in the Company's Records

11. **Arbitration.** Any controversy or claim arising out of or relating to this Agreement, or any breach thereof, excepting only the enforcement of any Loyalty Obligations arising under Paragraph 18 of this Agreement, shall be settled by arbitration in the state of North Carolina in accordance with the Employment Arbitration Rules of the American Arbitration Association then in effect in the State of North Carolina and judgment upon such award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The board of arbitrators shall consist of one arbitrator to be appointed by the Company, one by the Executive, and one by the two arbitrators so chosen. The arbitration shall be held at such place as may be agreed upon at the time by the parties to the arbitration. The cost of arbitration shall be borne as determined by the arbitrators.

12. **Withholding.** Anything to the contrary notwithstanding, all payments required to be made by the Company hereunder to the Executive or the Executive's estate or beneficiaries shall be subject to the withholding of such amounts relating to taxes as the Company may reasonably determine it should withhold pursuant to any applicable law or regulation. In lieu of withholding such amounts, in whole or in part, the Company may, in its sole discretion, accept other provisions for payment of taxes and withholdings as required by law, provided it is satisfied that all requirements of law affecting its responsibilities to withhold have been satisfied.

13. **Severability.** In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

14. **Titles.** Titles to the paragraphs and subsections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any paragraph or subsection.

15. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16. **Amendment.** Except as provided in Paragraph 13 above, this Agreement may not be modified or amended except by written instrument signed by all parties hereto.

17. **Independent Counsel.** The Executive acknowledges that Executive has been represented (or has had the opportunity to be represented) in the signing of this Agreement and in the making of its terms by independent legal counsel, selected of the Executive's own free will, and that the Executive has had the opportunity to discuss this Agreement with counsel. Executive further acknowledges that Executive has read and understands the meaning and ramifications of this Agreement and as evidence of this fact signs this Agreement below. The Executive further acknowledges that the Company has not made any representations or given any advice with respect to the tax or other consequences of this Agreement or any transactions contemplated by this Agreement to him and that the Executive has been advised of the importance of seeking independent counsel with respect to such consequences. By executing this Agreement, the Executive represents that the Executive has, after being advised of the potential conflicts between him and the Company with respect to the future consequences of this Agreement, either consulted independent legal counsel or elected, notwithstanding the advisability of seeking such independent legal counsel, not to consult with such independent legal counsel.

18. **Loyalty Obligations.** The Executive agrees that, immediately upon execution of this Agreement, the following obligations ("Loyalty Obligations") shall apply in consideration of the Executive's employment by or continued employment with the Company:

(a) **Confidential Information.**

(i) **Company Information.** Except as otherwise provided in Section 18(a)(iii) of this Agreement, the Executive agrees at all times during the term of the Executive's employment and thereafter, to hold any Confidential Information of the Company or its Related Entities in strictest confidence, and not to use (except for the benefit of the Company to fulfill the Executive's employment obligations) or to disclose to any person, firm or corporation other than the Company or those designated by it said Confidential Information without the prior authorization of the Company, except as may otherwise be required by law or legal process. The Executive agrees that "Confidential Information" means any proprietary information prepared or maintained in any format, including technical data, trade secrets or know-how in which the Company or Related Entities have an interest, including, but not limited to, business records, contracts, research, product or service plans, products, services, customer lists and customers (including, but not limited to, vendors to the Company or Related Entities on whom the Executive called, with whom the Executive dealt or with whom the Executive became acquainted during the term of the Executive's employment), pricing data, costs, markets, expansion plans, summaries, marketing and other business strategies, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration or marketing, financial or other business information obtained by the Executive or disclosed to the Executive by the Company or Related Entities or any other person or entity during the term of the Executive's employment with the Company either directly or indirectly electronically, in writing, orally, by drawings, by observation of services, systems or other aspects of the business of the Company or Related Entities or otherwise. Confidential Information does not include information that: (A) was available to the public prior to the time of disclosure, whether through press releases, SEC filings or otherwise; or (B) otherwise becomes available to the public through no act or omission of the Executive or through the wrongful act of a third party.

(ii) **Third Party Information.** The Executive recognizes that the Company and Related Entities have received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the part of the Company or Related Entities to maintain the confidentiality of such information and to use it only for certain limited purposes. Except as otherwise provided in Section 18(a)(iii) of this Agreement, the Executive agrees at all times during the Executive's employment and thereafter to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out the Executive's work for the Company consistent with the obligations of the Company or Related Entities with such third party.

(iii) **Permitted Disclosure.** Nothing in this Agreement shall prohibit or restrict the Executive from lawfully (A) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by the Securities and Exchange Commission ("SEC"), the Department of Justice, the Equal Employment Opportunity Commission ("EEOC"), the

Congress, or any other governmental or regulatory agency, entity, or official(s) or self-regulatory organization (collectively, "Governmental Authorities") regarding a possible violation of any law, rule, or regulation; (B) responding to any inquiry or legal process directed to you individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; (C) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (D) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nor does this Agreement require Executive to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that Executive has engaged in any such conduct.

(b) **Conflicting Employment.** The Executive agrees that, during the term of the Executive's employment with the Company, the Executive will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company or Related Entities are now involved or become involved during the term of the Executive's employment. Nor will the Executive engage in any other activities that conflict with the business of the Company or Related Entities. Furthermore the Executive agrees to devote such time as may be necessary to fulfill the Executive's obligations to the Company and during the term of the Executive's employment with the Company to refrain from any other occupation, consulting or other business activity without the prior approval or consent of the Company.

(c) **Returning Company Property.** The Executive agrees that any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by the Executive or others pursuant to or during the Executive's employment with the Company or otherwise shall be the property of the Company or its Related Entities and their respective successors or assigns. At the time of leaving the employ of the Company, or at any time during employment at the request of the Company, the Executive will deliver all material Company property to the Company or to the Company's designee and will not keep in the Executive's possession, recreate or deliver said property to anyone else. In the event of the termination of the Executive's employment and upon request by the Company, the Executive agrees to sign and deliver the "Termination Certification" attached hereto as Exhibit A. Executive further agrees that at any time during employment or upon termination, at the request of the Company, to reasonably cooperate with the Company to ensure that Executive does not possess any Company property or information within any PDA, personal laptop, hard drive or thumb drive,

personal cloud or email account, or any other personal electronic or data storage device, including providing access to any such devices to a third party forensic vendor for purposes of removing any such property and information, at the cost of the Company and through measures designed to protect Executive's personal information.

(d) **Notification of New Employer.** In the event that the Executive leaves the employ of the Company, the Executive agrees to notify the Executive's new employer and hereby grants consent to notification by the Company to the Executive's new employer (whether the Executive is employed as an employee, consultant, independent contractor, director, partner, officer, advisor, Executive, volunteer or manager) about the Executive's Loyalty Obligations specified under this Agreement.

(e) **Non-Interference.** The Executive covenants and agrees that while the Executive is employed by the Company and for a period of one (1) year immediately following the termination of the Executive's employment with the Company for any reason, the Executive shall not, without the prior written approval of the Company, directly or indirectly, either on behalf of the Executive or any other person or entity, Interfere with the Company or any of its Related Entities.

(i) For purposes of this Agreement, "Interfere" shall mean, except in the performance of the Executive's duties and responsibilities on behalf of and for the benefit of the Company, (A) to solicit, entice, persuade, induce, influence or attempt to influence, directly or indirectly, Customers, suppliers, Employees or Independent Contractors of the Company or any of its Related Entities to restrict, reduce, sever or otherwise alter their relationship with the Company or any of its Related Entities; or (B) to hire or recruit on the Executive's own behalf or on behalf of any other person or entity, directly or indirectly, any Employee or Independent Contractor of the Company who at any time was supervised (1) directly by the Executive or (2) by another person who was supervised directly by the Executive; or (C) whether as a direct solicitor or provider of such services, or in a direct management or direct supervisory capacity over others who solicit or provide such services, to solicit or provide services that fall within the definition of Restricted Activities as defined in Subsection 18(f)(ii) below to any Customer of the Company or its Related Entities.

(ii) For purposes of this Agreement, a "Customer" shall mean any person or entity: (a) with which the Executive has engaged in material discussions regarding Restricted Activities at any time within 12 months prior to the end of the Executive's employment; (b) whose business dealings with the Company are or were managed or supervised by the Executive as part of his duties for the Company; or (c) about which the Executive obtained Confidential Information solely as a result of the Executive's employment with the Company. "Customer" also includes a prospective customer with which the Executive has engaged in material discussions regarding Restricted Activities at any time within 12 months prior to the end of the Executive's employment or about which Executive obtained Confidential Information solely as a result of the Executive's employment with the Company. "Employee or Independent Contractor" shall mean any

employee or independent contractor who, at the time of the recruitment or hire by the Executive or by anyone the Executive is overseeing, is currently employed or engaged with the Company or who was employed or engaged with the Company at any time during the twelve (12) month period preceding the date of the recruitment or hire by the Executive or by anyone the Executive is overseeing.

(f) **Covenants Not to Compete**

(i) **Non-Competition**. The Executive understands that the Company operates across the United States and Canada. The Executive acknowledges that the Executive's duties as Executive Vice President, Supply Chain, will entail involvement with the entire range of the Company's operations across the United States and Canada, and that the Executive's extensive familiarity with the Company's business and Confidential Information justifies a restriction applicable across the entire geographic footprint in which the Company provides services and does business. To the fullest extent permitted by any applicable law, the Executive covenants and agrees that during the period from the date hereof until, one (1) year immediately following the termination, for any reason, of the Executive's employment with the Company (the "Non-Compete Period"), the Executive will not:

(A) own or hold, directly or beneficially, as a shareholder, option holder, warrant holder, partner, member or other equity or security owner or holder of any company or business that derives more than 15% of its revenue from the Restricted Activities (as defined below) within the Restricted Area (as defined below), or any company or business controlling, controlled by or under common control with any company, business or division directly engaged in such Restricted Activities within the Restricted Area (any of the foregoing, a "Restricted Company"); or

(B) engage or participate with any Restricted Company in the Restricted Activities within the Restricted Area which the Executive will use or disclose or could reasonably be expected to use or disclose any Confidential Information for the purpose of providing, or attempting to provide, such Restricted Company with a competitive advantage in the industry; or

(C) engage or participate in the same or similar capacity that the Executive worked for with the Company during the last twelve (12) months of Executive's employment with any Restricted Company in the Restricted Activities within the Restricted Area.

(ii) **Restricted Activities/Restricted Area**. For purposes of this Agreement, the term "Restricted Activities" means (1) the retail, commercial and/or wholesale sale, rental, and/or distribution of parts, accessories, supplies (including, but not limited to, paint), equipment and/or maintenance items for automobiles, light and heavy duty trucks

(both commercial and non-commercial), off-road equipment, buses, recreational vehicles, and/or agricultural equipment, and/or (2) the provision of any automotive-related service (including, but not limited to, shop management, inventory control, and/or vehicle repair software or marketing) to auto repair shops, garages, specialty-service providers (e.g. any business that specializes in automotive oil changes, painting, tires, mufflers, brakes, transmission, and/or body work) and/or service centers, including, but not limited to painting, collision or body service centers. The term "Restricted Area" means: (1) the United States of America and Canada, including their territories and possessions; (2) the United States of America; (3) in any location where a Customer is located if that Customer is purchasing products or services from the Company from that location as of the end of the Executive's employment; (4) the area within which Executive was assigned during the last 6 months of his employment with the Company. In the event it is determined by judicial action that any portion of the Restricted Area is unenforceable, the geographic scope of the restriction shall be limited to any/all of the preceding as a court of competent jurisdiction shall deem reasonable and enforceable.

(iii) **Association with Restricted Company.** In the event that the Executive intends to associate (whether as an employee, consultant, independent contractor, officer, manager, advisor, partner, Executive, volunteer or director) with any Restricted Company during the Non-Compete Period, the Executive must provide information in writing to the Company relating to the activities proposed to be engaged in by the Executive for such Restricted Company. All such current associations are set forth on Exhibit B to this Agreement. In the event that the Company consents in writing to the Executive's engagement in such activity, the engaging in such activity by the Executive shall be conclusively deemed not to be a violation of this Subsection 18(f). Such consent is not intended and shall not be deemed to be a waiver or nullification of the covenant of non-competition of the Executive or other similarly bound Executives.

(iv) **Limitations.** Nothing in this section shall be construed to limit Executive's ability to own a de minimis share of stock (defined as less than 5% of the outstanding common stock) of a publicly traded corporation, regardless of whether such entity is competitive with the Company. Nothing in this section shall be construed to limit the Executive's ability after separation to take a position with a company that competes with the Company which has multiple divisions or business units, so long as the Executive's employment with the competitor is not within the division or business unit that engages in Restricted Activities, and so long as the confidentiality and other provisions of this Agreement are adhered to in all respects. Nothing in this section shall be construed to prohibit the Executive from engaging in non-targeted solicitation of Employees and Independent Contractors of the Company such as advertisements to the general public.

(g) **Non-Disparagement.** Except as otherwise provided in Section 18(a)(iii) of this Agreement, the Executive agrees that while the Executive is employed by the Company and at all times following the termination of the Executive's employment with the Company for any reason, the Executive will not take any action or make any statement which disparages the Company or

its practices or which disrupts or impairs its normal operations, such that it causes a material adverse impact to the Company.

(h) **Effect of Non-Payment of Benefits; Clawback.** The Executive's post-termination of employment obligations under this Paragraph 18 shall cease upon the Company's failure to make any payments or benefits hereunder as a result of the termination of the Executive's employment when due if within 15 days after written notice from the Executive to the Company of such failure, the Company does not make the required payment. In the event that the Executive materially violates Subsection 18(e) or 18(f), and does not cure such violation (if it can be cured) within five (5) days after written notice of such failure, the Executive agrees that calculation of the harm to the Company from such violation would be uncertain and not capable of being readily ascertained, and that as a reasonable estimation of the harm to the Company from such violation the Executive shall repay to the Company a portion of the Termination Payment paid to the Executive pursuant to Section 4(d)(i) equal to a fraction, the numerator of which is the number of days left in the applicable period under Subsection 18(e) or 18(f), and the denominator of which is the total number of days in the applicable period under such Section. In the event that the Executive materially violates Subsection 18(a), 18(c) or 18(g), and does not cure such violation (if it can be cured) within five days after written notice of such failure, the Executive agrees that calculation of the harm to the Company from such violation would be uncertain and not capable of being readily ascertained, and that as a reasonable estimation of the harm to the Company from such violation the Executive shall repay to the Company a portion of the Termination Payment paid to the Executive pursuant to Section 4(d)(i) equal to a fraction, the numerator of which is the number of days left in the one (1) year period immediately following the termination and the denominator of which is 365. The Executive further agrees that in addition to Executive's repayment obligations with respect to breaches of Subsection 18(a), 18(c), 18(e), 18(f), or 18(g), the Company shall have the right to seek equitable relief pursuant to Subsection 18(i) hereunder.

(i) **Specific Enforcement; Remedies Cumulative.** The Executive acknowledges that the Company and Related Entities, as the case may be, will be irreparably injured if the provisions of Subsections 18(a), 18(b), 18(c), 18(e), 18(f) and 18(g) hereof are not specifically enforced and the Executive agrees that the terms of such provisions (including without limitation the periods set forth in Subsections 18(e), 18(f) and 18(g)) are reasonable and appropriate. If the Executive commits, or the Company has evidence based on which it reasonably believes the Executive threatens to commit, a material breach of any of the provisions of Subsections 18(a), 18(b), 18(c), 18(e), 18(f) or 18(g) hereof, the Company and/or Related Entities, as the case may be, shall have the right and remedy, in addition to and not in limitation of any other remedy that may be available at law or in equity, to have the provisions of Subsections 18(a), 18(b), 18(c), 18(e), 18(f) or 18(g) hereof specifically enforced by any court having jurisdiction through immediate injunctive and other equitable relief, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and/or Related Entities and that money damages will not provide an adequate remedy therefore. Such injunction shall be available without the posting of any bond or other security, and the Executive hereby consents to the issuance of such injunction.

(j) **Re-Set of Period for Non-Competition and Non-Interference.** In the event that a legal or equitable action is commenced with respect to any of the provisions of Subsections 18(e)

or 18(f) hereof and the Executive has not complied, in all material respects, with the provisions in such subsections with respect to which such action has been commenced, then the one-year period, as described in such subsections not so complied with by the Executive, shall be extended from its original expiration date, day-for-day, for each day that the Executive is found to have not complied, in all material respects, with such subsections.

(k) **Jurisdiction and Venue.** WITH RESPECT TO THE ENFORCEMENT OF ANY AND ALL LOYALTY OBLIGATIONS ARISING UNDER PARAGRAPH 18, THE SUBSECTIONS 18(k) AND 18(l) OF THIS AGREEMENT SHALL APPLY. THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THE FOLLOWING COURTS IN MATTERS RELATED TO THIS PARAGRAPH 18 AND AGREE NOT TO COMMENCE ANY SUIT, ACTION OR PROCEEDING RELATING THERETO EXCEPT IN ANY OF SUCH COURTS: THE STATE COURTS OF THE STATE OF NORTH CAROLINA, THE COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE CITY OF RALEIGH, NORTH CAROLINA.

(1) **Executive Acknowledgments.** The Executive acknowledges and agrees that (i) any and all loyalty obligations arising under Paragraph 18 were discussed with, and accepted by, the Executive prior to the commencement of the Executive's employment as Executive Vice President, Supply Chain; (ii) the loyalty obligations arising under Paragraph 18 constitute a material inducement to the Company to enter into this Agreement and to agree to employ the Executive on the terms and conditions stated herein; (iii) the loyalty obligations arising under Paragraph 18 are reasonable in time, territory, and scope, and in all other respects; (iv) should any part or provision of any covenant be held invalid, void, or unenforceable in any court of competent jurisdiction, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement; and (v) if any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, territory, definition of activities, or definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable terms shall be redefined to carry out the Executive's and the Company's intent in agreeing to these restrictive covenants. These restrictive covenants shall be construed as agreements independent of any other provision in this Agreement and the existence of any claim or cause of action of the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the loyalty obligations arising under Paragraph 18.

20 . **Adherence to Company Policies.** The Executive agrees to adhere diligently to all established Company policies and procedures, including but not limited to the Company's Guidelines on Significant Governance Issues, Code of Ethics and Business Conduct and, if applicable, the Code of Ethics for Financial Professionals. The Executive agrees that if the Executive does not adhere to any of the provisions of such Guidelines and Codes, the Executive will be in breach of the provisions hereof.

21. **Representations.** The Executive agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement. The Executive represents that Executive's performance of all the terms of this Agreement will not breach any agreement to keep

in confidence proprietary information acquired by the Executive in confidence or in trust prior to the Executive's employment by the Company. The Executive has not entered into, and the Executive agrees the Executive will not enter into, any oral or written agreement in conflict herewith and the Executive's employment by the Company and the Executive's services to the Company will not violate the terms of any oral or written agreement to which the Executive is a party.

22. **No Mitigation; No Offset.** The Executive shall not be required, as a condition to receiving any payments or benefits under this Agreement, to seek or obtain any other employment after any termination of employment hereunder or to take any steps to reduce the amount of any payment or benefit described in this Agreement. Further, the amount of any payment or benefit provided in this Agreement shall not be reduced by any compensation earned by the Executive as the result of any employment by another employer.

23. **Legal Fees.** The Company agrees to pay the reasonable fees and expenses of the Executive's legal counsel in connection with the negotiation and execution of this Agreement up to a maximum amount of \$5,000.

24. **Binding Effect of Execution.** The Company and the Executive agree that this Agreement shall not bind or be enforceable by or against either party until this Agreement has been duly executed by both the Executive and the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date first written above.

Advance Auto Parts, Inc.

By: _____(SEAL)

Print Name: _____

Title: _____

Address: 5008 Airport Road
Roanoke, VA 24012

Executive

Name: Reuben E. Slone

Signature: _____

Address: Executive's Address Currently on File in the Company's Records

EXHIBIT A

TERMINATION CERTIFICATION

This is to certify that I do not have in my possession, nor have I failed to return, any material devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items belonging to the Company.

I further certify that I have, to the best of my knowledge, complied in all material respects with all the terms of my Employment Agreement with the Company.

Date: _____

Executive's Signature

Executive's Name (Print)

EXHIBIT B

LIST OF ASSOCIATIONS WITH RESTRICTED COMPANIES

____ None

____ Additional Sheets Attached

Signature of the Executive: _____

Print Name of the Executive: _____

Date: _____

Advance Auto Parts, Inc.
2017 Performance-Based Restricted Stock Unit Award Agreement

This certifies that Advance Auto Parts, Inc. (the “Company”) has granted to <Participant Name> (the “Participant”) an award of Performance-Based Restricted Stock Units (“PSUs”) representing the right to receive a like number of shares (“Shares”) of Advance Auto Parts, Inc. Common Stock, \$.0001 par value per share (“Common Stock”), as indicated in the terms outlined below, subject to certain restrictions and on the terms and conditions contained in this Award Agreement (“Agreement”) and the Advance Auto Parts, Inc. 2014 Long-Term Incentive Plan (the “Plan”). In the event of any conflict between the terms of the Plan and this Agreement, the terms of the Plan shall govern. Any terms not defined herein shall have the meaning set forth in the Plan.

1. Grant of PSUs: As specified below, on the Award Date the following award of PSUs (at Target Level) (the “Target Award”) has been granted to the Participant:

Award Date	Number of PSUs Granted (at Target Level)
Grant Date	Number of Awards Granted

2. Vesting: Subject to the remaining provisions of this award:

The Participant’s PSUs may vest, in an amount up to the maximum vesting PSUs (defined below) on the Performance Vesting Date, subject to continued employment or other association with the Company through that date and except as otherwise provided in Section 3 of this Agreement. The number of PSUs that may vest will be determined in accordance with the following rules, subject to certification by the Committee of the Company’s Comparable Store Sales, Return on Invested Capital (“ROIC”), and Relative Total Shareholder Return (“Relative TSR”) for the applicable Performance Period, each as defined in this Section 2. For Comparable Store Sales and ROIC, the applicable Performance Period shall be the 2017 through 2019 fiscal years, and for Relative TSR the applicable Performance Period shall be the three-year period commencing on the Award Date and ending on the day prior to the third anniversary of the Award Date.

- a. A designated portion of the Participant’s PSUs may vest based upon the Company’s average annual Comparable Store Sales growth over the applicable Performance Period, calculated in a manner consistent with the Company’s current Comparable Store Sales policy, according to the schedule established by the Committee as shown in Exhibit 1 to this Agreement. If the Company achieves target level performance, the payout amount shall be the Number of Shares to Vest (at Target Level) listed in this Section 2. Payout amounts based on performance results between threshold and maximum levels will be determined using straight line interpolation between specified points of performance. If the Company’s average annual Comparable Stores Sales growth over the applicable Performance Period is less than the threshold level of Comparable Store Sales growth set forth in Exhibit 1 to this Agreement, no PSUs based on Comparable Store Sales growth will vest.
 - b. A designated portion of the Participant’s PSUs may vest based upon the Company’s Cumulative ROIC performance during the applicable Performance Period, according to the schedule established by the Committee as shown in Exhibit 1 to this Agreement. If the Company achieves target level performance, the payout amount shall be the Number of Shares to Vest (at Target Level) listed in this Section 2. Payout amounts based on performance results between the threshold and maximum levels will be determined using straight line interpolation between specified points of performance. If the Company’s 3-Year Cumulative ROIC performance for the applicable Performance Period is less than the threshold level of 3-Year
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Cumulative ROIC performance for the applicable Performance Period is less than the threshold level of 3-Year Cumulative ROIC set forth in Exhibit 1 to this Agreement, no PSUs based on the Company's Cumulative ROIC will vest.

The Company's Cumulative ROIC shall be calculated as a percentage by dividing the Company's After-tax Operating Earnings by the Company's Total Invested Capital as follows:

After-Tax Operating Earnings (Year 1)	+	After-Tax Operating Earnings (Year 2)	+	After-Tax Operating Earnings (Year 3)
Divided By...				
Total Invested Capital (Year 1)	+	Total Invested Capital (Year 2)	+	Total Invested Capital (Year 3)

For purposes of this performance measure:

- "After-tax Operating Earnings" shall mean the sum of the Company's Net Income plus After-tax Other, net (including interest expense and other income (expense), net) plus After-tax rent expense: and
 - "Total Invested Capital" shall mean the sum of Average assets less Average liabilities (excluding debt), calculated as the average of the beginning and ending amounts for the fiscal year, plus Capitalized lease obligation, calculated as six times rent expense ,
- c. A designated portion of the Participant's PSUs may vest based upon the Company's Relative TSR for the applicable Performance Period, relative to the peer group established by the Committee for review of 2017 pay opportunities (as disclosed in the Company's 2017 Proxy Statement and listed in Exhibit 1 to this Agreement). If the Company achieves target level performance, the payout amount shall be the Number of Shares to Vest (at Target Level) listed in this Section 2. Payout amounts based on performance results between the threshold and maximum levels will be determined using straight line interpolation between specified points of performance. If the Company's Relative TSR performance is less than the threshold level of Relative TSR performance set forth in Exhibit 1 to this Agreement, no PSUs based on the Company's Relative TSR performance will vest. If the Company's TSR results are negative during the applicable Performance Period, PSUs based on Relative TSR will not vest at more than 100% of the target level. Any PSUs that may vest based on the Company's Relative TSR performance will be converted to Deferred Share Units ("DSUs") as of the Performance Vesting Date and will be required to be held for one year following the Performance Vesting Date.

The Participant's "Maximum Vesting PSUs" is 200% of the number of PSUs indicated above in the box labeled "Number of PSUs to Vest (at Target Level)."

3. **Termination of Service:** If, prior to the Performance Vesting Date, the Participant's employment or other association with the Company and its affiliates ends for any reason, the Participant's rights to unvested PSUs shall be immediately and irrevocably forfeited, except as follows:
 - a. **Retirement:** If termination of employment or other affiliation is on account of Retirement (as defined below), then the Participant's PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria outlined in this Agreement. "Retirement" is defined as:

1. Age: 55 years of age; AND
 2. Tenure: 10 years of service, of which the last 3 must be consecutive years with the Company, provided further that in the event the Participant came to be employed by the Company in conjunction with or as a result of a merger with or acquisition by the Company and received any service credit as a result of previous employment, the last three consecutive years of service must occur following the effective date of such merger or acquisition.
 3. If, after termination of the Participant's employment or other association with the Company on account of Retirement and prior to the third anniversary of the Award Date, you are employed in any capacity by AutoZone, Inc., O'Reilly Automotive, Inc. or Genuine Parts Company and/or NAPA Auto Parts, any RSUs that have not vested as of the date of such employment shall be immediately and irrevocably forfeited.
 - a. Disability: if termination of employment or other affiliation is on account of Disability, then the Participant's PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria set forth in this Agreement. For the purposes of this Award, "Disability" is defined as having become disabled within the meaning of Section 22 (e) (3) of the Internal Revenue Code (or, if applicable, as defined in your Employment Agreement or Loyalty Agreement with the Company in effect as of the date of this Award Agreement).
 - b. Death: If termination of employment or other affiliation is on the account of the Participant's death, then PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria set forth in this Agreement.
 - c. Termination by the Company other than for Due Cause:
 - i. For SVPs: Termination by the Company other than for Due Cause .If your employment or other association is terminated prior to the Performance Vesting Date by the Company other than for Due Cause, as that term is defined in your Loyalty Agreement, your PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and in accordance with the Performance criteria set forth in this Agreement.
 - ii. For CEO/EVPs: Termination by the Company other than for Due Cause, Resignation from Employment for Good Reason. If your employment or other association is terminated prior to the Performance Vesting Date by the Company other than for Due Cause, or by you for Good Reason, as those terms are defined in your Employment Agreement, your PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and in accordance with the Performance criteria set forth in this Agreement.
 4. Change in Control: Upon a Change in Control, the Company will determine the number of PSUs that are earned based on the actual level of achievement of the Performance criteria outlined in this Agreement through the Change in Control date and any portion of the PSUs not earned will be forfeited. Following this determination, the earned PSUs will vest based on the Participant's continued service with the Company through the original Performance Vesting Date- in the event the successor organization assumes, converts or replaces the awards. Any portion of the Participant's earned PSUs (as determined pursuant to this Section 4) that have not yet vested will vest immediately:
 - a. on the Change in Control date in the event that the successor organization does not assume, convert, or replace the awards; or
 - b. upon the termination of the Participant's employment or other association with the Company in the event that the successor organization assumes, converts or replaces the awards, and the Participant's employment or other association with the Company is
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terminated by the Company without Cause, as that term is defined in the Participant's Loyalty Agreement, within 24 months of the Change in Control, or, if applicable, by the Company without Cause or by the Participant for Good Reason as those terms are defined in the Participant's Employment Agreement, within 24 months following the Change in Control date.

5. Non-Transferability of PSUs and DSUs: Until shares are issued with respect to the PSUs that vest or, in the case of the DSUs described in Section 2(c) of this Award, until shares are issued after the mandatory holding period has ended pursuant to Sections 1 and 2 of this Award, the PSUs or DSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered, and no attempt to transfer unvested PSUs or DSUs for which the mandatory holding period has not ended, whether voluntary or involuntary, by operation of law or otherwise, shall vest the transferee with any interest or right in or with respect to the Shares. You may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise your rights to receive any property distributable with respect to PSUs or DSUs upon your death.
 6. No Rights as a Stockholder. You shall have no rights of a shareholder of the Common Stock on and after the Award Date and until the date on which the Shares are issued in accordance with Section 7 of this Agreement. With respect to PSUs that are converted to DSUs as set forth in Section 2(c) of this Award, during the holding period you will be entitled to receive dividend equivalents to the extent that dividends are declared and paid on the Common Stock of the Company. Except as may be provided under Section 8 of the Plan, the Company will make no adjustment for dividends (ordinary or extraordinary and whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the Performance Vesting Date of a PSU.
 7. Issuing Shares. Upon any of the PSUs vesting pursuant to Section 1 or 2(a) or (b) or upon the expiration of the holding period for DSUs pursuant to Section 1 or 2(c) of this Award and payment of the applicable withholding taxes pursuant to Section 11 below, the Company shall cause the shares of Common Stock to be issued in book-entry form, registered in your name. Payment shall be made within thirty days of the vesting date but not later than March 15, 2020 for PSUs vesting pursuant to Section 1 or 2(a) or (b) or within thirty days of the expiration of the holding period for DSUs pursuant to Section 1 or 2(c), but not later than March 15, 2021.
 8. Notices. Except as otherwise provided herein, all notices, requests, demands and other communications under this Award shall be in writing, and if by telecopy, shall be deemed to have been validly served, given or delivered when sent, or if by personal delivery or messenger or courier service, shall be deemed to have been validly served, given or delivered upon actual delivery (but in no event may notice be given by deposit in the United States mail), at the following addresses, telephone and facsimile numbers (or such other address(es), telephone and facsimile numbers a party may designate for itself by like notice):
 - a. If to the Company: Advance Auto Parts, Inc. located at 5008 Airport Road, Roanoke, Virginia, 24012, Attention: General Counsel or by telephone at (540) 561-1173 or telecopy at (540) 561-1448;
 - b. If to you, then to your home address on record at Advance Auto Parts or your business address at Advance Auto Parts.
 9. Non-Competition: Participant acknowledges and agrees that the Company is engaged in a highly competitive business, and that by virtue of Participant's position and responsibilities as an employee of the Company and Participant's access to Confidential Information, engaging in a business that is directly competitive with the Company will cause it great and irreparable harm. Accordingly, Participant agrees that for a period of one (1) year after separation of his/her employment with the Company, whether such separation is voluntary or involuntary, Participant shall not, on his/her own behalf or on another's behalf, (a) accept employment by or provide services for a Restricted Company, as that term is defined in Participant's applicable Loyalty Agreement or Employment Agreement, in any capacity, role or position with substantially the same or similar duties as Participant performed during Participant's employment with the Company; (b) provide services, including consulting or contractor services for or on behalf of a Restricted Company, as that term is defined in Participant's applicable Loyalty Agreement or Employment Agreement, which are the
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same or substantially similar as the duties Participant performed during Participant's employment with the Company; or (c) provide services, including consulting or contractor services which would be directly or indirectly competitive with the Company. Participant understands that the business of the Company and Participant's responsibilities on behalf of the Company have been nationwide and companywide in scope. Accordingly, Participant agrees that this restriction will apply anywhere within the United States, including its territories and possessions, including but not limited to, Puerto Rico and the Virgin Islands, and Canada, including its territories and possessions. In the event this territory is determined by a court of competent jurisdiction to be overbroad, the Territory may be reduced to any combination of the following which the Court deems reasonable: The Continental United States; The states of: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

- a. For purposes of this Agreement, "Confidential Information" means any proprietary information prepared or maintained in any format, including personnel information or data of Advance, technical data, trade secrets or know-how in which Advance or its Related Entities have an interest, including, but not limited to, business records, contracts, research, product or service plans, products, services, customer lists and customers (including, but not limited to, vendors to Advance or its Related Entities on whom Employee called, with whom Employee dealt or with whom Employee became acquainted during the term of Employee's employment), pricing data, costs, markets, expansion plans, summaries, marketing and other business strategies, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration or marketing, financial or other business information obtained by Employee or disclosed to Employee by Advance or its Related Entities or any other person or entity during the term of Employee's employment with Advance either directly or indirectly electronically, in writing, orally, by drawings, by observation of services, systems or other aspects of the business of Advance or its Related Entities or otherwise. Confidential Information does not include information that: (A) was available to the public prior to the time of disclosure; or (B) becomes available to the public through no act or omission of Employee.
 - b. Nothing in this Award Agreement shall prohibit or restrict Participant from lawfully (A) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by other governmental or regulatory agency, entity, or official(s) or self-regulatory organization (collectively, "Governmental Authorities") regarding a possible violation of any law, rule, or regulation; (B) responding to any inquiry or legal process directed to you individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; (C) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (D) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to Employee's attorney in relation to a lawsuit for retaliation against Employee for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nor does this Agreement require Employee to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that
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Employee has engaged in any such conduct. Additionally, nothing in this Award Agreement shall prohibit or restrict Participant from providing legal representation, engaging in the practice of law or any communication or contact with Participant, regardless of who initiates it, regarding any legal representation or the practice of law.

- c. In the event that Participant violates any of the terms of this Section 10, Participant understands and agrees that in addition to the Company's rights to obtain injunctive relief and damages for such violation, Participant shall return to the Company any shares of Common Stock received by Participant or Participant's personal representative that vested on or after any such violation and pay to the Company in cash the amount of any proceeds received by Participant or Participant's personal representative from the disposition or transfer of any such stock, and Participant's unvested PSUs shall be immediately and irrevocably forfeited.
10. Confidentiality: Due to the confidential information contained in this Agreement, including long-term performance measures, the Participant agrees not to disclose the terms of this Agreement to anyone other than the members of the Participant's immediate family, Participant's legal counsel, Participant's accountant(s) or tax advisor(s), and/or Participant's financial advisor(s), or as otherwise provided in Section 9 of this Agreement. Should the details of this agreement be shared with the aforementioned, it shall be on a confidential basis.
 11. Income Tax Matters:
 - a. The Company makes no representation or warranty as to the tax treatment of your receipt or vesting of the PSUs or upon your sale or other disposition of the Shares received upon vesting of your PSUs. You should rely on your own tax advisors for such advice. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are your sole and absolute responsibility, are withheld or collected from you at the time of vesting. The Company will inform you of alternative methods to settle any applicable taxes due prior to the first vesting date of your Award.
 - b. For the purposes of determining when Shares otherwise issuable on account of your termination of employment or other association with Company will be issued, "termination of employment" or words of similar import, as used in this Agreement, shall mean the date as of which the Company and you reasonably anticipate that no further services will be performed by you, and shall be construed as the date that you first incur a "separation from service" for purposes of Section 409A of the Code on or following termination of employment or other association with the Company. Furthermore, if you are a "specified employee" of a public company as determined pursuant to Section 409A as of your termination of employment or other association with the Company, any Shares otherwise issuable on account of your termination of employment or other association with the Company which constitute deferred compensation within the meaning of Section 409A of the Code and which are otherwise payable during the first six months following your termination of employment or other association with the Company shall be issued to you on the earlier of (1) the date of your death and (2) the first business day of the seventh calendar month immediately following the month in which your termination of employment or other association with the Company occurs.
 12. Miscellaneous.
 - a. This Award is made under the provisions of the Plan and shall be interpreted in a manner consistent with it. To the extent that any provision in this Award is inconsistent with the Plan, the provisions of the Plan shall control. The interpretation of the Committee of any provision of the Plan, the PSUs or this Award, and any determination with respect thereto or hereto by the Committee, shall be binding on all parties. Notwithstanding anything herein to the contrary, this Award Agreement is intended to be interpreted and operated so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986 ("Code") pursuant to the short-term
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deferral exception thereto; provided however that in no event shall the Company be liable to the Participant for or with respect to any taxes, penalties or interest which may be imposed upon the Participant pursuant to Code Section 409A. To the extent that any Award granted by the Company is subject to Code Section 409A, such Award shall be subject to the terms and conditions that comply with the requirements of Code Section 409A to avoid adverse tax consequences under Code Section 409A.

- b. Nothing contained in this Agreement shall confer, intend to confer or imply any rights to an employment relationship or rights to a continued employment relationship with the Company or any Affiliate in your favor or limit the ability of the Company or an Affiliate, as the case may be, to terminate, with or without cause, in its sole and absolute discretion, your employment relationship with the Company or such Affiliate, subject to the terms of any written employment agreement to which you are a party.
- c. Neither the Plan nor this Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and You or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured creditor of the Company or any Affiliate.
- d. The Company shall not be required to deliver any shares of Common Stock until the requirements of any federal or state securities laws, rules or regulations or other laws or rules (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.
- e. An original record of this Award and all the terms hereof, executed by the Company, is held on file by the Company. To the extent there is any conflict between the terms contained in this Award and the terms contained in the original held by the Company, the terms of the original held by the Company shall control.
- f. If any provision in this Agreement is determined to be invalid, void or unenforceable by the decision of any court of competent jurisdiction, which determination is not appealed or appealable for any reason whatsoever, the provision in question shall not be deemed to affect or impair the validity or enforceability of any other provision of this Agreement and such invalid or unenforceable provision or portion thereof shall be severed from the remainder of this Agreement.
- g. For any Participant who is an Executive Officer of the Company as defined in the Company's Incentive Compensation Clawback Policy ("Clawback Policy"), this Award shall be subject to the Clawback Policy as such policy shall be adopted, and from time to time amended, by the Board or the Compensation Committee.
- h. This Award is intended to be consistent with your Employment Agreement or Loyalty Agreement with the Company, if applicable, in effect on the date first written above. To the extent that any provision of this Award Agreement is inconsistent with the terms of such agreement with the Company in effect as of the date first written above, the provisions of this Award Agreement shall control with respect to this Award.

In Witness Whereof, this Award has been executed by the Company as of the date first above written.

ADVANCE AUTO PARTS, INC.

By:

Natalie Schechtman

Senior Vice President, Human Resources

Accepted and agreed, including specifically but without limitation as to the treatment of this Award in accordance with the terms of the Plan and this Award notwithstanding any terms of an Employment/ Loyalty Agreement between the Company and the undersigned to the contrary:

By:

Electronic Signature

Acceptance Date

Advance Auto Parts, Inc.
2018 Performance-Based Restricted Stock Unit Award Agreement

This certifies that Advance Auto Parts, Inc. (the “Company”) has granted to <Participant Name> (the “Participant”) an award of Performance-Based Restricted Stock Units (“PSUs”) representing the right to receive a like number of shares (“Shares”) of Advance Auto Parts, Inc. Common Stock, \$.0001 par value per share (“Common Stock”), as indicated in the terms outlined below, subject to certain restrictions and on the terms and conditions contained in this Award Agreement (“Agreement”) and the Advance Auto Parts, Inc. 2014 Long-Term Incentive Plan (the “Plan”). In the event of any conflict between the terms of the Plan and this Agreement, the terms of the Plan shall govern. Any terms not defined herein shall have the meaning set forth in the Plan.

1. **Grant of PSUs:** As specified below, on the Award Date the following award of PSUs (at Target Level) (the “Target Award”) has been granted to the Participant:

Award Date	Number of PSUs Granted (at Target Level)
Grant Date	Number of Awards Granted

2. **Vesting:** Subject to the remaining provisions of this award:

The Participant’s PSUs may vest, in an amount up to the maximum vesting PSUs (defined below) on the Performance Vesting Date, subject to continued employment or other association with the Company through that date and except as otherwise provided in Section 3 of this Agreement. The number of PSUs that may vest will be determined in accordance with the following rules, subject to certification by the Committee of the Company’s Comparable Store Sales, Return on Invested Capital (“ROIC”), and Relative Total Shareholder Return (“Relative TSR”) for the applicable Performance Period, each as defined in this Section 2. For Comparable Store Sales and ROIC, the applicable Performance Period shall be the 2018 through 20120 fiscal years, and for Relative TSR the applicable Performance Period shall be the three-year period commencing on the Award Date and ending on the day prior to the third anniversary of the Award Date.

- a. A designated portion of the Participant’s PSUs may vest based upon the Company’s average annual Comparable Store Sales growth over the applicable Performance Period, calculated in a manner consistent with the Company’s current Comparable Store Sales policy, according to the schedule established by the Committee as shown in Exhibit 1 to this Agreement. If the Company achieves target level performance, the payout amount shall be the Number of Shares to Vest (at Target Level) listed in this Section 2. Payout amounts based on performance results between threshold and maximum levels will be determined using straight line interpolation between specified points of performance. If the Company’s average annual Comparable Stores Sales growth over the applicable Performance Period is less than the threshold level of Comparable Store Sales growth set forth in Exhibit 1 to this Agreement, no PSUs based on Comparable Store Sales growth will vest.
 - b. A designated portion of the Participant’s PSUs may vest based upon the Company’s Cumulative ROIC performance during the applicable Performance Period, according to the schedule established by the Committee as shown in Exhibit 1 to this Agreement. If the Company achieves target level performance, the payout amount shall be the Number of Shares to Vest (at Target Level) listed in this Section 2. Payout amounts based on performance results between the threshold and maximum levels will be determined using straight line interpolation between specified points of performance. If the Company’s 3-Year
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ROIC performance for the applicable Performance Period is less than the threshold level of 3-Year Cumulative ROIC set forth in Exhibit 1 to this Agreement, no PSUs based on the Company's Cumulative ROIC will vest.

The Company's Cumulative ROIC shall be calculated as a percentage by dividing the Company's After-tax Operating Earnings by the Company's Total Invested Capital as follows:

After-Tax Operating Earnings (Year 1)	+	After-Tax Operating Earnings (Year 2)	+	After-Tax Operating Earnings (Year 3)
Divided By...				
Total Invested Capital (Year 1)	+	Total Invested Capital (Year 2)	+	Total Invested Capital (Year 3)

For purposes of this performance measure:

- "After-tax Operating Earnings" shall mean the sum of the Company's Net Income plus After-tax Other, net (including interest expense and other income (expense), net) plus After-tax rent expense; and
- "Total Invested Capital" shall mean the sum of Average assets (excluding cash) less Average liabilities (excluding total debt), calculated as the average of the beginning and ending amounts for the fiscal year, plus Capitalized lease obligation, calculated as six times rent expense.

c. A designated portion of the Participant's PSUs may vest based upon the Company's Relative TSR for the applicable Performance Period, relative to the peer group established by the Committee for review of 2018 pay opportunities (as disclosed in the Company's 2018 Proxy Statement and listed in Exhibit 1 to this Agreement). If the Company achieves target level performance, the payout amount shall be the Number of Shares to Vest (at Target Level) listed in this Section 2. Payout amounts based on performance results between the threshold and maximum levels will be determined using straight line interpolation between specified points of performance. If the Company's Relative TSR performance is less than the threshold level of Relative TSR performance set forth in Exhibit 1 to this Agreement, no PSUs based on the Company's Relative TSR performance will vest. If the Company's TSR results are negative during the applicable Performance Period, PSUs based on Relative TSR will not vest at more than 100% of the target level. Any PSUs that may vest based on the Company's Relative TSR performance will be converted to Deferred Share Units ("DSUs") as of the Performance Vesting Date and will be required to be held for one year following the Performance Vesting Date.

The Participant's "Maximum Vesting PSUs" is 200% of the number of PSUs indicated above in the box labeled "Number of PSUs to Vest (at Target Level)."

3. **Termination of Service:** If, prior to the Performance Vesting Date, the Participant's employment or other association with the Company and its affiliates ends for any reason, the Participant's rights to unvested PSUs shall be immediately and irrevocably forfeited, except as follows:
 - a. **Retirement:** If termination of employment or other affiliation is on account of Retirement (as defined below), then the Participant's PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria outlined in this Agreement. "Retirement" is defined as:

1. Age: 55 years of age; AND
 2. Tenure: 10 years of service, provided further that in the event the Participant came to be employed by the Company in conjunction with or as a result of a merger with or acquisition by the Company and received any service credit as a result of previous employment, the last three consecutive years of service must occur following the effective date of such merger or acquisition.
 3. If, after termination of the Participant's employment or other association with the Company on account of Retirement and prior to the third anniversary of the Award Date, you are employed in any capacity by Amazon Auto, AutoZone, Inc., O'Reilly Automotive, Inc. Genuine Parts Company and/or NAPA Auto Parts, or any aftermarket automotive parts distributor owned or operated by Icahn Automotive Group, LLC (including, but not limited to, Pep Boys and Auto Plus), any RSUs that have not vested as of the date of such employment shall be immediately and irrevocably forfeited.
 - b. Disability: if termination of employment or other affiliation is on account of Disability, then the Participant's PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria set forth in this Agreement. For the purposes of this Award, "Disability" is defined as having become disabled within the meaning of Section 22 (e) (3) of the Internal Revenue Code (or, if applicable, as defined in your Employment Agreement or Loyalty Agreement with the Company in effect as of the date of this Award Agreement).
 - c. Death: If termination of employment or other affiliation is on the account of the Participant's death, then PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria set forth in this Agreement.
 - d. Termination by the Company other than for Due Cause:
 - i. For SVPs: Termination by the Company other than for Due Cause .If your employment or other association is terminated prior to the Performance Vesting Date by the Company other than for Due Cause, as that term is defined in your Loyalty Agreement, your PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and in accordance with the Performance criteria set forth in this Agreement.
 - ii. For CEO/EVPs: Termination by the Company other than for Due Cause, Resignation from Employment for Good Reason. If your employment or other association is terminated prior to the Performance Vesting Date by the Company other than for Due Cause, or by you for Good Reason, as those terms are defined in your Employment Agreement, your PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and in accordance with the Performance criteria set forth in this Agreement.
4. Change in Control: Upon a Change in Control, the Company will determine the number of PSUs that are earned based on the actual level of achievement of the Performance criteria outlined in this Agreement through the Change in Control date and any portion of the PSUs not earned will be forfeited. Following this determination, the earned PSUs will vest based on the Participant's continued service with the Company through the original Performance Vesting Date- in the event the successor organization assumes, converts or replaces the awards. Any portion of the Participant's earned PSUs (as determined pursuant to this Section 4) that have not yet vested will vest immediately:
- a. on the Change in Control date in the event that the successor organization does not assume, convert, or replace the awards; or
 - b. upon the termination of the Participant's employment or other association with the Company in the event that the successor organization assumes, converts or replaces the
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awards, and the Participant's employment or other association with the Company is terminated by the Company without Cause, as that term is defined in the Participant's Loyalty Agreement, within 24 months of the Change in Control, or, if applicable, by the Company without Cause or by the Participant for Good Reason as those terms are defined in the Participant's Employment Agreement, within 24 months following the Change in Control date.

5. Non-Transferability of PSUs and DSUs: Until shares are issued with respect to the PSUs that vest or, in the case of the DSUs described in Section 2(c) of this Award, until shares are issued after the mandatory holding period has ended pursuant to Sections 1 and 2 of this Award, the PSUs or DSUs may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered, and no attempt to transfer unvested PSUs or DSUs for which the mandatory holding period has not ended, whether voluntary or involuntary, by operation of law or otherwise, shall vest the transferee with any interest or right in or with respect to the Shares. You may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise your rights to receive any property distributable with respect to PSUs or DSUs upon your death.
 6. No Rights as a Stockholder. You shall have no rights of a shareholder of the Common Stock on and after the Award Date and until the date on which the Shares are issued in accordance with Section 7 of this Agreement. With respect to PSUs that are converted to DSUs as set forth in Section 2(c) of this Award, during the holding period you will be entitled to receive dividend equivalents to the extent that dividends are declared and paid on the Common Stock of the Company. Except as may be provided under Section 8 of the Plan, the Company will make no adjustment for dividends (ordinary or extraordinary and whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the Performance Vesting Date of a PSU.
 7. Issuing Shares. Upon any of the PSUs vesting pursuant to Section 1 or 2(a) or (b) or upon the expiration of the holding period for DSUs pursuant to Section 1 or 2(c) of this Award and payment of the applicable withholding taxes pursuant to Section 11 below, the Company shall cause the shares of Common Stock to be issued in book-entry form, registered in your name. Payment shall be made within thirty days of the vesting date but not later than March 15, 2021 for PSUs vesting pursuant to Section 1 or 2(a) or (b) or within thirty days of the expiration of the holding period for DSUs pursuant to Section 1 or 2(c), but not later than March 15, 2022.
 8. Notices. Except as otherwise provided herein, all notices, requests, demands and other communications under this Award shall be in writing, and if by telecopy, shall be deemed to have been validly served, given or delivered when sent, or if by personal delivery or messenger or courier service, shall be deemed to have been validly served, given or delivered upon actual delivery (but in no event may notice be given by deposit in the United States mail), at the following addresses, telephone and facsimile numbers (or such other address(es), telephone and facsimile numbers a party may designate for itself by like notice):
 - a. If to the Company: Advance Auto Parts, Inc. located at 5008 Airport Road, Roanoke, Virginia, 24012, Attention: General Counsel or by telephone at (540) 561-1173 or telecopy at (540) 561-1448;
 - b. If to you, then to your home address on record at Advance Auto Parts or your business address at Advance Auto Parts.
 9. Non-Competition: Participant acknowledges and agrees that the Company is engaged in a highly competitive business, and that by virtue of Participant's position and responsibilities as an employee of the Company and Participant's access to Confidential Information, engaging in a business that is directly competitive with the Company will cause it great and irreparable harm. Accordingly, Participant agrees that for a period of one (1) year after separation of his/her employment with the Company, whether such separation is voluntary or involuntary, Participant shall not, on his/her own behalf or on another's behalf, (a) accept employment by or provide services for a Restricted Company, as that term is
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defined in Participant's applicable Loyalty Agreement or Employment Agreement, in any capacity, role or position with substantially the same or similar duties as Participant performed during Participant's employment with the Company; (b) provide services, including consulting or contractor services for or on behalf of a Restricted Company, as that term is defined in Participant's applicable Loyalty Agreement or Employment Agreement, which are the same or substantially similar as the duties Participant performed during Participant's employment with the Company; or (c) provide services, including consulting or contractor services which would be directly or indirectly competitive with the Company. Participant understands that the business of the Company and Participant's responsibilities on behalf of the Company have been nationwide and companywide in scope. Accordingly, Participant agrees that this restriction will apply anywhere within the United States, including its territories and possessions, including but not limited to, Puerto Rico and the Virgin Islands, and Canada, including its territories and possessions. In the event this territory is determined by a court of competent jurisdiction to be overbroad, the Territory may be reduced to any combination of the following which the Court deems reasonable: The Continental United States; The states of: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming; the Virgin Islands; and Canada. The restrictive periods set forth in this provision shall not expire and shall be tolled during any period in which Participant is in violation of such restrictions, and therefore such restrictive periods shall be extended for a period equal to the duration of Participant's violations thereof.

- a. For purposes of this Agreement, "Confidential Information" means any proprietary information prepared or maintained in any format, including personnel information or data of Advance, technical data, trade secrets or know-how in which Advance or its Related Entities have an interest, including, but not limited to, business records, contracts, research, product or service plans, products, services, customer lists and customers (including, but not limited to, vendors to Advance or its Related Entities on whom Employee called, with whom Employee dealt or with whom Employee became acquainted during the term of Employee's employment), pricing data, costs, markets, expansion plans, summaries, marketing and other business strategies, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration or marketing, financial or other business information obtained by Employee or disclosed to Employee by Advance or its Related Entities or any other person or entity during the term of Employee's employment with Advance either directly or indirectly electronically, in writing, orally, by drawings, by observation of services, systems or other aspects of the business of Advance or its Related Entities or otherwise. Confidential Information does not include information that: (A) was available to the public prior to the time of disclosure; or (B) becomes available to the public through no act or omission of Employee.
 - b. Nothing in this Award Agreement shall prohibit or restrict Participant from lawfully (A) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by other governmental or regulatory agency, entity, or official(s) or self-regulatory organization (collectively, "Governmental Authorities") regarding a possible violation of any law, rule, or regulation; (B) responding to any inquiry or legal process directed to you individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; (C) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (D) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or
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to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to Employee's attorney in relation to a lawsuit for retaliation against Employee for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nor does this Agreement require Employee to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct. Additionally, nothing in this Award Agreement shall prohibit or restrict Participant from providing legal representation, engaging in the practice of law or any communication or contact with Participant, regardless of who initiates it, regarding any legal representation or the practice of law.

- c. In the event that Participant violates any of the terms of this Section 10, Participant understands and agrees that in addition to the Company's rights to obtain injunctive relief and damages for such violation, Participant shall return to the Company any shares of Common Stock received by Participant or Participant's personal representative that vested on or after any such violation and pay to the Company in cash the amount of any proceeds received by Participant or Participant's personal representative from the disposition or transfer of any such stock, and Participant's unvested PSUs shall be immediately and irrevocably forfeited.

10. Confidentiality: Due to the confidential information contained in this Agreement, including long-term performance measures, the Participant agrees not to disclose the terms of this Agreement to anyone other than the members of the Participant's immediate family, Participant's legal counsel, Participant's accountant(s) or tax advisor(s), and/or Participant's financial advisor(s), or as otherwise provided in Section 9 of this Agreement. Should the details of this agreement be shared with the aforementioned, it shall be on a confidential basis.

11. Income Tax Matters:

- a. The Company makes no representation or warranty as to the tax treatment of your receipt or vesting of the PSUs or upon your sale or other disposition of the Shares received upon vesting of your PSUs. You should rely on your own tax advisors for such advice. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are your sole and absolute responsibility, are withheld or collected from you at the time of vesting. The Company will inform you of alternative methods to settle any applicable taxes due prior to the first vesting date of your Award.
- b. For the purposes of determining when Shares otherwise issuable on account of your termination of employment or other association with Company will be issued, "termination of employment" or words of similar import, as used in this Agreement, shall mean the date as of which the Company and you reasonably anticipate that no further services will be performed by you, and shall be construed as the date that you first incur a "separation from service" for purposes of Section 409A of the Code on or following termination of employment or other association with the Company. Furthermore, if you are a "specified employee" of a public company as determined pursuant to Section 409A as of your termination of employment or other association with the Company, any Shares otherwise issuable on account of your termination of employment or other association with the Company which constitute deferred compensation within the meaning of Section 409A of the Code and which are otherwise payable during the first six months following your termination of employment or other association with the Company shall be issued to you on the earlier of (1) the date of your death and (2) the first business day of the seventh calendar month immediately following the month in which your termination of employment or other association with the Company occurs.

12. Miscellaneous.

- a. This Award is made under the provisions of the Plan and shall be interpreted in a manner consistent with it. To the extent that any provision in this Award is inconsistent with the
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Plan, the provisions of the Plan shall control. The interpretation of the Committee of any provision of the Plan, the PSUs or this Award, and any determination with respect thereto or hereto by the Committee, shall be binding on all parties. Notwithstanding anything herein to the contrary, this Award Agreement is intended to be interpreted and operated so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986 ("Code") pursuant to the short-term deferral exception thereto; provided however that in no event shall the Company be liable to the Participant for or with respect to any taxes, penalties or interest which may be imposed upon the Participant pursuant to Code Section 409A. To the extent that any Award granted by the Company is subject to Code Section 409A, such Award shall be subject to the terms and conditions that comply with the requirements of Code Section 409A to avoid adverse tax consequences under Code Section 409A.

- b. Nothing contained in this Agreement shall confer, intend to confer or imply any rights to an employment relationship or rights to a continued employment relationship with the Company or any Affiliate in your favor or limit the ability of the Company or an Affiliate, as the case may be, to terminate, with or without cause, in its sole and absolute discretion, your employment relationship with the Company or such Affiliate, subject to the terms of any written employment agreement to which you are a party.
- c. Neither the Plan nor this Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and You or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured creditor of the Company or any Affiliate.
- d. The Company shall not be required to deliver any shares of Common Stock until the requirements of any federal or state securities laws, rules or regulations or other laws or rules (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.
- e. An original record of this Award and all the terms hereof, executed by the Company, is held on file by the Company. To the extent there is any conflict between the terms contained in this Award and the terms contained in the original held by the Company, the terms of the original held by the Company shall control.
- f. If any provision in this Agreement is determined to be invalid, void or unenforceable by the decision of any court of competent jurisdiction, which determination is not appealed or appealable for any reason whatsoever, the provision in question shall not be deemed to affect or impair the validity or enforceability of any other provision of this Agreement and such invalid or unenforceable provision or portion thereof shall be severed from the remainder of this Agreement.
- g. For any Participant who is an Executive Officer of the Company as defined in the Company's Incentive Compensation Clawback Policy ("Clawback Policy"), this Award shall be subject to the Clawback Policy as such policy shall be adopted, and from time to time amended, by the Board or the Compensation Committee.
- h. This Award is intended to be consistent with your Employment Agreement or Loyalty Agreement with the Company, if applicable, in effect on the date first written above. To the extent that any provision of this Award Agreement is inconsistent with the terms of such agreement with the Company in effect as of the date first written above, the provisions of this Award Agreement shall control with respect to this Award.

In Witness Whereof, this Award has been executed by the Company as of the date first above written.

In Witness Whereof, this Award has been executed by the Company as of the date first above written.

ADVANCE AUTO PARTS, INC.

By:

Natalie Schechtman

Senior Vice President, Human Resources

Accepted and agreed, including specifically but without limitation as to the treatment of this Award in accordance with the terms of the Plan and this Award notwithstanding any terms of an Employment/ Loyalty Agreement between the Company and the undersigned to the contrary:

By:

Electronic Signature

Acceptance Date

Advance Auto Parts, Inc.
2018 Time-Based Restricted Stock Unit Award Agreement

This certifies that Advance Auto Parts, Inc. (the “Company”) has granted to <Participant Name> (the “Participant”) an award of Restricted Stock Units (“RSUs”) representing the right to receive a like number of shares (“Shares”) of Advance Auto Parts, Inc. Common Stock, \$.0001 par value per share (the “Common Stock”), as indicated in the terms outlined below, subject to certain restrictions and on the terms and conditions contained in this Award Agreement (“Agreement”) and the Advance Auto Parts, Inc. 2014 Long-Term Incentive Plan (the “Plan”). In the event of any conflict between the terms of the Plan and this Agreement, the terms of the Plan shall govern. Any terms not defined herein shall have the meaning set forth in the Plan.

1. **Grant of RSUs:** The following RSU award has hereby been granted to the Participant

Grant Date	Number of RSUs Granted
Grant Date	Number of Awards Granted

2. **Vesting Schedule:** Subject to the remaining provisions of this award, the time-based RSUs shall vest in approximately equal one-third installments on each of the first three anniversaries of the award date, commencing on the first anniversary of the Award Date and becoming fully vested on the third anniversary of the Award date if the Participant remains continuously employed by the Company until the respective vesting date.

Vesting Date / # of shares vested

3. **Termination of Service:** If, prior to vesting of time-based RSUs pursuant to section 1 or section 2 of this Award, the Participant’s employment or other association with the Company and its affiliates ends for any reason, the Participant’s rights to unvested time-based RSUs shall be immediately forfeited and unvested shares canceled. The following exceptions apply:
- a. **Disability:** If termination of employment or other affiliation is on account of Disability, then any unvested time-based RSUs will vest immediately as of the date of Disability. For the purposes of this Award, Disability is defined as having become disabled within the meaning of Section 22 (e) (3) of the Internal Revenue Code (or, if applicable, as defined in your Employment Agreement or Loyalty Agreement with the Company in effect as of the date of this Award Agreement).
 - b. **Death:** If termination of employment or other affiliation is on the account of the Participant’s death, then any unvested time-based RSUs will vest immediately as of the date of Participant’s death.
4. **Change in Control:** Upon a Change in Control, any remaining unvested time-based RSUs will vest immediately on
- a. the Change in Control date in the event that the successor organization does not assume, convert, or replace the awards; or
 - b. upon the termination of the Participant’s employment or other association with the Company in the event that the successor organization assumes, converts or replaces the awards, and the Participant’s employment or other association with the Company is terminated without cause, as determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”), within 24 months following the Change in Control date.
5. **Non-Transferability of RSUs:** Until shares are issued with respect to the RSUs that vest pursuant to Sections 1 and 2 of this Award, the RSUs may not be sold, assigned, transferred, pledged,
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hypothecated or otherwise disposed of or encumbered, and no attempt to transfer unvested RSUs, whether voluntary or involuntary, by operation of law or otherwise, shall vest the transferee with any interest or right in or with respect to the Shares. The Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise rights to receive any property distributable with respect to RSUs upon the Participant's death.

6. No Rights as a Stockholder. The Participant shall have no rights of a shareholder of the Common Stock on and after the Award Date and until the date on which the time-based RSUs vest and are converted to Shares and the restrictions with respect to the time-based RSUs lapse in accordance with Section 1 or 2 of this Award, as described above. The Participant will, however, receive dividends or dividend equivalents on the time-based RSUs on or after the Award Date and until Shares are delivered on vesting of the Award, unless and until the time-based RSUs are forfeited pursuant to Section 1 or 2 of this Award and to the extent that dividends are declared and paid on the Common Stock of the Company. Except as may be provided under Section 8 of the Plan, the Company will make no adjustment for dividends (ordinary or extraordinary and whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the Vesting Date of a time-based RSU.
 7. Issuing Shares. Upon any of the time-based RSUs vesting pursuant to Section 1 or 2 of this Award and payment of the applicable withholding taxes pursuant to Section 11 below, the Company shall cause the shares of Common Stock to be issued in book-entry form, registered in the Participant's name.
 8. Notices. Except as otherwise provided herein, all notices, requests, demands and other communications under this Award shall be in writing, and if by telecopy, shall be deemed to have been validly served, given or delivered when sent, or if by personal delivery or messenger or courier service, shall be deemed to have been validly served, given or delivered upon actual delivery (but in no event may notice be given by deposit in the United States mail), at the following addresses, telephone and facsimile numbers (or such other address(es), telephone and facsimile numbers a party may designate for itself by like notice):
 - a. If to the Company: Advance Auto Parts, Inc. located at 5008 Airport Road, Roanoke, Virginia, 24012, Attention: General Counsel or by telephone at (540) 561-1173 or telecopy at (540) 561-1448;
 - b. If to you, the Participant, to your home address on record at Advance Auto Parts or your business address at Advance Auto Parts.
 9. Non-Competition: Participant acknowledges and agrees that the Company is engaged in a highly competitive business, and that by virtue of Participant's position and responsibilities as an employee of the Company and Participant's access to Confidential Information, engaging in a business that is directly competitive with the Company will cause it great and irreparable harm. Accordingly, Participant agrees that for a period of one (1) year after separation of his/her employment with the Company, whether such separation is voluntary or involuntary, Participant shall not, on his/her own behalf or on another's behalf, (a) accept employment by or provide services for a Restricted Company, as that term is defined in Participant's applicable Loyalty Agreement or Employment Agreement, in any capacity, role or position with substantially the same or similar duties as Participant performed during Participant's employment with the Company; (b) provide services, including consulting or contractor services for or on behalf of a Restricted Company, as that term is defined in Participant's applicable Loyalty Agreement or Employment Agreement, which are the same or substantially similar as the duties Participant performed during Participant's employment with the Company; or (c) provide services, including consulting or contractor services which would be directly or indirectly competitive with the Company. Participant understands that the business of the Company and Participant's responsibilities on behalf of the Company have been nationwide and companywide in scope. Accordingly, Participant agrees that this restriction will apply anywhere within the United States, including its territories and possessions, including but not limited to, Puerto Rico and the Virgin Islands, and Canada, including its territories and possessions. In the event this territory is determined by a court of competent jurisdiction to be overbroad, the Territory may be reduced to any combination of the following which the Court deems reasonable: The Continental
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United States; the states of: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming; the Virgin Islands; Canada. The restrictive periods set forth in this provision shall not expire and shall be tolled during any period in which Participant is in violation of such restrictions, and therefore such restrictive periods shall be extended for a period equal to the duration of Participant's violations thereof.

- a. For purposes of this Agreement, "Confidential Information" means any proprietary information prepared or maintained in any format, including personnel information or data of Advance, technical data, trade secrets or know-how in which Advance or its Related Entities have an interest, including, but not limited to, business records, contracts, research, product or service plans, products, services, customer lists and customers (including, but not limited to, vendors to Advance or its Related Entities on whom Employee called, with whom Employee dealt or with whom Employee became acquainted during the term of Employee's employment), pricing data, costs, markets, expansion plans, summaries, marketing and other business strategies, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration or marketing, financial or other business information obtained by Employee or disclosed to Employee by Advance or its Related Entities or any other person or entity during the term of Employee's employment with Advance either directly or indirectly electronically, in writing, orally, by drawings, by observation of services, systems or other aspects of the business of Advance or its Related Entities or otherwise. Confidential Information does not include information that: (A) was available to the public prior to the time of disclosure; or (B) becomes available to the public through no act or omission of Employee.
 - b. Nothing in this Award Agreement shall prohibit or restrict Participant from lawfully (A) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by other governmental or regulatory agency, entity, or official(s) or self-regulatory organization (collectively, "Governmental Authorities") regarding a possible violation of any law, rule, or regulation; (B) responding to any inquiry or legal process directed to you individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; (C) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (D) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to Employee's attorney in relation to a lawsuit for retaliation against Employee for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nor does this Agreement require Employee to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct. Additionally, nothing in this Award Agreement shall prohibit or restrict Participant from providing legal representation, engaging in the practice of law or any communication or contact with Participant, regardless of who initiates it, regarding any legal representation or the practice of law.
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- c. In the event that Participant violates any of the terms of this Section 10, Participant understands and agrees that in addition to the Company's rights to obtain injunctive relief and damages for such violation, Participant shall return to the Company any shares of Common Stock received by Participant or Participant's personal representative that vested on or after any such violation and pay to the Company in cash the amount of any proceeds received by Participant or Participant's personal representative from the disposition or transfer of any such stock, and Participant's unvested PSUs shall be immediately and irrevocably forfeited.
 10. Confidentiality: The Participant agrees not to disclose the terms of this Agreement to anyone other than the members of the Participant's immediate family, Participant's legal counsel, Participant's accountant(s) and/or tax advisor(s) and/or Participant's financial advisor(s), or as otherwise provided in Section 9 of this Agreement. Should the details of this agreement be shared with the aforementioned, it will be on a confidential basis.
 11. Income Tax Matters:
 - a. The Company makes no representation or warranty as to the tax treatment of your receipt or vesting of the time-based RSUs or upon your sale or other disposition of the Shares received upon vesting of your time-based RSUs. You should rely on your own tax advisors for such advice. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are your sole and absolute responsibility, are withheld or collected from you at the time of vesting. The Company will inform you of alternative methods to settle any applicable taxes due prior to the first vesting date of your Award.
 - b. For the purposes of determining when Shares otherwise issuable on account of your termination of employment or other association with Company will be issued, "termination of employment" or words of similar import, as used in this Agreement, shall mean the date as of which the Company and you reasonably anticipate that no further services will be performed by you, and shall be construed as the date that you first incur a "separation from service" for purposes of Section 409A of the Code on or following termination of employment or other association with the Company. Furthermore, if you are a "specified employee" of a public company as determined pursuant to Section 409A as of your termination of employment or other association with the Company, any Shares otherwise issuable on account of your termination of employment or other association with the Company which constitute deferred compensation within the meaning of Section 409A of the Code and which are otherwise payable during the first six months following your termination of employment or other association with the Company shall be issued to you on the earlier of (1) the date of your death and (2) the first business day of the seventh calendar month immediately following the month in which your termination of employment or other association with the Company occurs.
 12. Miscellaneous.
 - a. This Award is made under the provisions of the Plan and shall be interpreted in a manner consistent with it. To the extent that any provision in this Award is inconsistent with the Plan, the provisions of the Plan shall control. The interpretation of the Committee of any provision of the Plan, the time-based RSUs or this Award, and any determination with respect thereto or hereto by the Committee, shall be binding on all parties. Notwithstanding anything herein to the contrary, this Award Agreement is intended to be interpreted and operated so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986 ("Code") or shall comply with the requirements of such provision; provided however that in no event shall the Company be liable to the Participant for or with respect to any taxes, penalties or interest which may be imposed upon the Participant pursuant to Code Section 409A. To the extent that any Award granted by the Company is subject to Code Section 409A, such Award
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By:

Electronic Signature

Acceptance Date

ADVANCE AUTO PARTS, INC.
2014 Long-Term Incentive Plan
(As amended effective August 7, 2018)

1. Purpose

This Plan is intended to encourage ownership of Stock by employees, consultants and directors of the Company and its Affiliates and to provide additional incentive for them to promote the success of the Company's business through the grant of Awards of or pertaining to shares of the Company's Stock. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code, but not all Awards are required to be Incentive Options.

2. Definitions

As used in this Plan, the following terms shall have the respective meanings set out below, unless the context clearly requires otherwise:

2.1. Accelerate, Accelerated, and Acceleration, means: (a) when used with respect to an Option or Stock Appreciation Right, that as of the time of reference the Option or Stock Appreciation Right will become exercisable with respect to some or all of the shares of Stock for which it was not then otherwise exercisable by its terms; (b) when used with respect to Restricted Stock or Restricted Stock Units, that the Risk of Forfeiture otherwise applicable to the Stock or Units shall expire with respect to some or all of the shares of Restricted Stock or Units then still otherwise subject to the Risk of Forfeiture; and (c) when used with respect to Performance Units, that the applicable Performance Goals or other business objectives shall be deemed to have been met as to some or all of the Units.

2.2. Affiliate means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.

2.3. Award means any grant or sale pursuant to the Plan of Options, Stock Appreciation Rights, Performance Shares, Performance Units, Restricted Stock, Restricted Stock Units, Deferred Stock Units, or Stock Grants.

2.4. Award Agreement means an agreement between the Company and the recipient of an Award, or other notice of grant of an Award, setting forth the terms and conditions of the Award.

2.5. Board means the Company's Board of Directors.

2.6. Change of Control means the occurrence of any of the following after the date of the approval of the Plan by the Board:

(a) a Transaction (as defined in Section 8.4), unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company's outstanding securities immediately prior to that transaction, or

(b) any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires, including but not limited to by means of a merger or consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 25% of the total combined voting power of the Company's outstanding securities unless pursuant to a tender or exchange offer made directly to the Company's stockholders that the Board recommends such stockholders accept, other than (i) the Company or any of its Affiliates, (ii) an employee benefit plan of the Company or any of its Affiliates, (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(c) over a period of thirty-six (36) consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals who either (i) have been Board members continuously since the beginning of that period, or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in the preceding clause (i) who were still in office at the time that election or nomination was approved by the Board.

(d) The Committee may modify the definition of Change of Control for a particular Award as the Committee deems appropriate to comply with Section 409A of the Code or otherwise. Notwithstanding the foregoing, if an Award constitutes deferred compensation subject to Section 409A of the Code and the Award provides for payment upon a Change of Control, then no Change of Control shall be deemed to have occurred upon an event described in items (a)- (c) above unless the event would also constitute a change in ownership or effective control of, or a change in the ownership of a substantial portion of the assets of, the Company under Section 409A of the Code.

2.7. Code means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.

2.8. Committee means the Compensation Committee of the Board, which in general is responsible for the administration of the Plan, as provided in Section 5 of this Plan. For any period during which no such committee is in existence, "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

2.9. Company means Advance Auto Parts, Inc., a corporation organized under the laws of the State of Delaware.

2.10. Deferred Stock Unit or DSU means a bookkeeping entry that represents the right to receive one share of Stock at a future date. DSUs may be granted outright by the Committee or may be granted in exchange for cash compensation deferred by a Participant. To the extent the Company pays a dividend, DSUs will include the right to receive Dividend Equivalents which are credited in the form of additional DSUs.

2.11. Dividend Equivalent means an amount equivalent to cash, stock or other property dividends on Stock.

2.12. Forfeiture, forfeit, and derivations thereof, when used in respect of Restricted Stock purchased by a Participant, includes the Company's repurchase of such Restricted Stock at less than its then Market Value as a means intended to effect a forfeiture of value.

2.13. Grant Date means, with respect to Options, the date as of which an Option is granted, as determined under Section 7.1(a) and, with respect to other Awards, the date of the applicable Committee action providing for such Award or such other date as may be then specified by the Committee.

2.14. Incentive Option means an Option which by its terms is to be treated as an "incentive stock option" within the meaning of Section 422 of the Code.

2.15. Market Value means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Market Value of Stock as of any date is the closing price for the Stock as reported on the New York Stock Exchange (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the first preceding date for which a closing price is reported.

2.16. Nonstatutory Option means any Option that is not an Incentive Option.

2.17. Option means an option to purchase shares of Stock.

2.18. Optionee means an eligible individual to whom an Option shall have been granted under the Plan.

- 2.19. Participant means any holder of an outstanding Award under the Plan.
- 2.20. Performance Criteria and Performance Goals have the meanings given such terms in Section 7.7(f).
- 2.21. Performance Period means the one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals or other business objectives will be measured for purposes of determining a Participant's right to, and the payment of, an Award.
- 2.22. Performance Share means a right granted to a Participant under Section 7.5 of a unit valued by reference to a designated number of shares of Stock, the payment of which is contingent on achieving Performance Goals or other business objectives established by the Committee.
- 2.23. Performance Unit means a right granted to a Participant under Section 7.5 of a unit value by reference to a designated amount of cash or property other than Stock, the payment of which is contingent on achieving Performance Goals or other business objectives established by the Committee.
- 2.24. Plan means this 2014 Long-Term Incentive Plan of the Company, as amended from time to time, and including any attachments or addenda hereto.
- 2.25. Prior Plan means the Company's 2004 Long-Term Incentive Plan, including shares issued from such Prior Plan pursuant to the Advance Auto Parts, Inc. Deferred Stock Unit Plan for Non-Employee Directors and Selected Executives and the Advance Auto Parts, Inc. Deferred Compensation Plan.
- 2.26. Qualified Performance-Based Awards means Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.
- 2.27. Restricted Stock means a grant or sale of shares of Stock to a Participant subject to a Risk of Forfeiture.
- 2.28. Restricted Stock Units means rights to receive shares of Stock at the close of a Restriction Period, subject to a Risk of Forfeiture.
- 2.29. Restriction Period means the period of time, established by the Committee in connection with an Award of Restricted Stock or Restricted Stock Units, during which the shares of Restricted Stock or Restricted Stock Units are subject to a Risk of Forfeiture described in the applicable Award Agreement.
- 2.30. Risk of Forfeiture means a limitation on the right of the Participant to retain Restricted Stock or Restricted Stock Units, including a right of the Company to reacquire shares of Restricted Stock at less than their then Market Value, arising because of the occurrence or non-occurrence of specified events or conditions.
- 2.31. Stock means common stock, par value \$.0001 per share, of the Company, and such other securities as may be substituted for Stock pursuant to Section 8.
- 2.32. Stock Appreciation Right means a right to receive any excess in the Market Value of shares of Stock (except as otherwise provided in Section 7.2(c)) over a specified exercise price.
- 2.33. Stock Grant means the grant of shares of Stock not subject to restrictions or other forfeiture conditions.
- 2.34. Stockholders' Agreement means any agreement by and among the holders of at least a majority of the outstanding voting securities of the Company and setting forth, among other provisions, restrictions upon the transfer of shares of Stock or on the exercise of rights appurtenant thereto (including but not limited to voting rights).
- 2.35. Substitute Awards means Awards granted or Stock issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines.

2.36. Ten Percent Owner means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code). Whether a person is a Ten Percent Owner shall be determined with respect to an Option based on the facts existing immediately prior to the Grant Date of the Option.

3. Term of the Plan

Unless the Plan shall have been earlier terminated by the Board, Awards may be granted under this Plan at any time in the period commencing on the date of approval of the Plan by the Board and ending immediately prior to the tenth anniversary of the earlier of the adoption of the Plan by the Board and approval of the Plan by the Company's stockholders. Awards granted pursuant to the Plan within that period shall not expire solely by reason of the termination of the Plan. Awards of Incentive Options granted prior to stockholder approval of the Plan are expressly conditioned upon such approval, but in the event of the failure of the stockholders to approve the Plan shall thereafter and for all purposes be deemed to constitute Nonstatutory Options.

4. Stock Subject to the Plan

4.1. Number of Shares. (a) Subject to adjustment as provided in Section 8.1, the number of shares of Stock that may be issued pursuant to Awards under the Plan shall not exceed a total of four million seven hundred fifty (4,750,000) shares of Stock, plus that number of shares of Stock that are subject to awards outstanding under any Prior Plan as of the effective date of the Plan ("Prior Plan Awards") which become available for issuance hereunder in accordance with paragraphs (b) and (c) below. After the effective date of the Plan, no awards may be granted under any Prior Plan.

(b) If, and to the extent, that an Award made under the Plan, or, after the effective date of the Plan, an award made under a Prior Plan, expires, terminates, is cancelled or forfeited for any reason without having been exercised in full, or is settled for cash (in whole or in part), or otherwise does not result in the issuance of all or a portion of the Stock subject to such Award (including on payment in Stock on exercise of a Stock Appreciation Right), the Stock associated with the expired, terminated, cancelled, forfeited, cash-settled, or non-issued portion of the Award shall again become available for issuance hereunder. If Options or Stock Appreciation Rights terminate for any reason without being wholly exercised, if Restricted Stock or Restricted Stock Units are forfeited prior to vesting or if shares of Stock are not issued under Performance Units, the number of shares of Stock underlying such Award shall not count towards the maximum aggregate number of shares of Stock that may be issued under the Plan.

(c) In the event that (i) any Option or other Award granted hereunder is exercised through the tendering of shares of Stock (either actually or by attestation) or by the withholding of shares of Stock by the Company, or (ii) withholding tax liabilities arising from such Option or other Award are satisfied by the tendering of shares of Stock (either actually or by attestation) or by the withholding of shares of Stock by the Company, then in each such case the shares of Stock so tendered or withheld shall be added to the shares of Stock available for grant under the Plan on a one-for-one basis. In the event that after the effective date of the Plan, (i) any option or award granted under any Prior Plan is exercised through the tendering of shares of Stock (either actually or by attestation) or by the withholding of shares of Stock by the Company, or (ii) withholding tax liabilities arising from such options or awards are satisfied by the tendering of shares of Stock (either actually or by attestation) or by the withholding of shares of Stock by the Company, then in each such case the shares of Stock so tendered or withheld shall be added to the shares of Stock available for grant under the Plan on a one-for-one basis.

(d) Substitute Awards shall not reduce the number of shares of Stock authorized for grant under the Plan or the applicable limitations on grants to a Participant under Section 4.2, nor shall shares of Stock subject to a Substitute Award be added to the shares of Stock available for Awards under the Plan as provided in paragraphs (b) and (c) above. Additionally, in the event that a company acquired by the Company or any Affiliate with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or

valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Stock authorized for grant under the Plan (and shares of Stock subject to such Awards shall not be added to the shares of Stock available for Awards under the Plan as provided in paragraphs (b) and (c) above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors prior to such acquisition or combination.

(e) At no time shall the number of shares of Stock issued pursuant to Incentive Options exceed four million seven hundred fifty thousand (4,750,000) shares of Stock. Shares of Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

4.2. Per Person Limitations.

(a) In General. The maximum number of shares of Stock that may be subject to Options or Stock Appreciation Rights or any combination thereof granted to any one Participant during any single calendar year shall be seven hundred fifty thousand (750,000). The maximum number of shares of Stock that may be subject to all other Awards or any combination thereof granted to any one Participant during any single calendar year that are intended to be Qualified Performance-Based Awards shall be three hundred thousand (300,000). The maximum value of Awards denominated in cash granted to any one Participant during any single calendar year and that are intended to be Qualified Performance-Based Awards shall be ten million dollars (\$10,000,000). Each of the limitations in this section shall be multiplied by two (2) with respect to Awards granted to a Participant during the first calendar year in which the Participant commences employment with the Company and its Affiliates. If an Award is cancelled, the cancelled Award shall continue to be counted toward the applicable limitation in this Section). The per Participant limits described in this subsection (a) shall be construed and applied consistent with Section 162(m) of the Code.

(b) Directors. The maximum aggregate grant-date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of Awards granted to any non-employee director, who is not the non-executive Chair of the Board, in his or her capacity as such during any single calendar year shall be three hundred fifty thousand dollars (\$350,000). Such limitation on Awards to non-employee directors does not apply, if applicable, to any cash retainer fees, including cash retainer fees converted into equity awards at the election of the director.

4.3. Adjustment of Limitations. Each of the share limitations of this Section 4 shall be subject to adjustment pursuant to Section 8 of the Plan, but in the case of the limitation of Section 4.2(a), only if and to the extent consistent with Section 162(m) of the Code.

5. Administration

The Plan shall be administered by the Committee; provided, however, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder; and provided further, however, that the Committee may delegate to an executive officer or officers the authority to grant Awards hereunder to employees who are not officers, and to consultants, up to such maximum number and in accordance with such guidelines as the Committee shall set forth at any time or from time to time. Any such delegation may not include the authority to grant Restricted Stock, unless the delegate is a committee of the Board, including a committee consisting solely of an executive officer who is a Board member. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee, consultant or director to receive the Award and the form of Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, consultants, and directors, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to

the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

6. Authorization of Grants

6.1. Eligibility. The Committee may grant from time to time and at any time prior to the termination of the Plan one or more Awards, either alone or in combination with any other Awards, to any employee of or consultant to one or more of the Company and its Affiliates or to any non-employee member of the Board or of any board of directors (or similar governing authority) of any Affiliate. However, only employees of the Company, and of any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code, shall be eligible for the grant of an Incentive Option.

6.2. General Terms of Awards. Each grant of an Award shall be subject to all applicable terms and conditions of the Plan (including but not limited to any specific terms and conditions applicable to that type of Award set out in the following Section), and such other terms and conditions, not inconsistent with the terms of the Plan, as the Committee may prescribe. No prospective Participant shall have any rights with respect to an Award, unless and until such Participant shall have complied with the applicable terms and conditions of such Award (including if applicable delivering a fully executed copy of any agreement evidencing an Award to the Company).

6.3. Effect of Termination of Employment, Etc. Unless the Committee shall provide otherwise with respect to any Award (including, but not limited to, in a Participant's Award Agreement), if the Participant's employment or other association with the Company and its Affiliates ends for any reason, including because of the Participant's employer ceasing to be an Affiliate, (a) any outstanding Option or Stock Appreciation Right of the Participant shall cease to be exercisable in any respect not later than thirty (30) days following that event and, for the period it remains exercisable following that event, shall be exercisable only to the extent exercisable at the date of that event, and (b) any other outstanding Award of the Participant shall be forfeited or otherwise subject to return to or repurchase by the Company on the terms specified in the applicable Award Agreement. Cessation of the performance of services in one capacity, for example, as an employee, shall not result in termination of an Award while the Participant continues to perform services in another capacity, for example as a director. Military or sick leave or other bona fide leave shall not be deemed a termination of employment or other association, *provided* that it does not exceed the longer of three (3) months or the period during which the absent Participant's reemployment rights, if any, are guaranteed by statute or by contract. To the extent consistent with applicable law, the Committee may provide that Awards continue to vest for some or all of the period of any such leave, or that their vesting shall be tolled during any such leave and only recommence upon the Participant's return from leave, if ever.

6.4. Non-Transferability of Awards. Except as otherwise provided in this Section 6.4, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All of a Participant's rights in any Award may be exercised during the life of the Participant only by the Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; *provided, however*, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, "family member" means any child, stepchild, grandchild, parent, grandparent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which the foregoing persons have more than fifty (50) percent of the beneficial interests, a foundation in which the foregoing persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty (50) percent of the voting interests.

7. Specific Terms of Awards

7.1. Options.

(a) **Date of Grant.** The granting of an Option shall take place at the time specified in the Award Agreement.

(b) **Exercise Price.** Except for Substitute Awards, the price at which shares of Stock may be acquired under each Option shall be not less than 100% of the Market Value of Stock on the Grant Date, or not less than 110% of the Market Value of Stock on the Grant Date in the case of an Incentive Option if the Optionee is a Ten Percent Owner.

(c) **Option Period.** No Option may be exercised on or after the tenth anniversary of the Grant Date, or on or after the fifth anniversary of the Grant Date in the case of an Incentive Option if the Optionee is a Ten Percent Owner.

(d) **Exercisability.** An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full, the Committee may Accelerate such Option in whole or in part at any time; *provided, however*, that in the case of an Incentive Option, any such Acceleration of the Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code or the Optionee consents to the Acceleration.

(e) **Method of Exercise.** An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 17, specifying the number of shares of Stock with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash or check payable to the order of the Company in an amount equal to the exercise price of the shares of Stock to be purchased or, subject in each instance to the Committee's approval, acting in its sole discretion, and to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company:

(i) by delivery (either actually or by attestation) to the Company of shares of Stock having a Market Value equal to the exercise price of the shares to be purchased,

(ii) by surrender of the Option as to all or part of the shares of Stock for which the Option is then exercisable in exchange for shares of Stock having an aggregate Market Value equal to the difference between (1) the aggregate Market Value of the surrendered portion of the Option, and (2) the aggregate exercise price under the Option for the surrendered portion of the Option,

(iii) unless prohibited by applicable law, by delivery to the Company of the Optionee's executed promissory note in the principal amount equal to the exercise price of the shares of Stock to be purchased and otherwise in such form as the Committee shall have approved,

(iv) through any other method specified in an Award Agreement (including same-day sales through a broker), or

(v) any combination of any of the foregoing.

Receipt by the Company of such notice and payment in any authorized or combination of authorized means shall constitute the exercise of the Option. Within thirty (30) days thereafter but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent a certificate or certificates or shall cause the Stock to be held in book-entry position through the direct registration system of the Company's transfer agent for the number of shares then being purchased. Such shares of Stock shall be fully paid and nonassessable.

(f) Limit on Incentive Option Characterization. An Incentive Option shall be considered to be an Incentive Option only to the extent that the number of shares of Stock for which the Option first becomes exercisable in a calendar year does not have an aggregate Market Value (as of the Grant Date of the Option) in excess of the "current limit". The current limit for any Optionee for any calendar year shall be \$100,000 *minus* the aggregate Market Value at the Grant Date of the number of shares of Stock available for purchase for the first time in the same year under each other Incentive Option previously granted to the Optionee under the Plan, and under each other incentive stock option previously granted to the Optionee under any other incentive stock option plan of the Company and its Affiliates, after December 31, 1986. Any shares of Stock which would cause the foregoing limit to be violated shall be deemed to have been granted under a separate Nonstatutory Option, otherwise identical in its terms to those of the Incentive Option.

(g) Notification of Disposition. Each person exercising any Incentive Option granted under the Plan shall be deemed to have covenanted with the Company to report to the Company any disposition of the shares of Stock issued upon such exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code and, if and to the extent that the realization of income in such a disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, to remit to the Company an amount in cash sufficient to satisfy those requirements.

7.2. Stock Appreciation Rights.

(a) Tandem or Stand-Alone. Stock Appreciation Rights may be granted in tandem with an Option (at or, in the case of a Nonstatutory Option, after, the award of the Option), or alone and unrelated to an Option. Stock Appreciation Rights in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem Stock Appreciation Rights are exercised.

(b) Exercise Price. Except for Substitute Awards, Stock Appreciation Rights shall have an exercise price of not less than 100% of the Market Value of the Stock on the Grant Date, or in the case of Stock Appreciation Rights in tandem with Options, the exercise price of the related Option.

(c) Other Terms. Except as the Committee may deem inappropriate or inapplicable in the circumstances, Stock Appreciation Rights shall be subject to terms and conditions substantially similar to those applicable to a Nonstatutory Option. Notwithstanding the foregoing, no Stock Appreciation Right may be exercised on or after the tenth anniversary of the Grant Date.

7.3. Restricted Stock.

(a) Purchase Price. Shares of Restricted Stock shall be issued under the Plan for such consideration, if any, in cash, other property or services, or any combination thereof, as is determined by the Committee.

(b) Issuance of Stock. Each Participant receiving a Restricted Stock Award, subject to subsection (c) below, shall be issued a stock certificate in respect of such shares of Restricted Stock or the shares shall be held in book-entry position through the direct registration system of the Company's transfer agent. If a certificate is issued, such certificate shall be registered in the name of such Participant, and, if applicable, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award substantially in the following form:

The shares evidenced by this certificate are subject to the terms and conditions of the Advance Auto Parts, Inc. 2014 Long-Term Incentive Plan and an Award Agreement entered into by the registered owner and Advance Auto Parts, Inc., copies of which will be furnished by Advance Auto Parts, Inc., to the holder of the shares evidenced by this certificate upon written request and without charge.

If the Stock is in book-entry position through the registration system of the Company's transfer agent, the restrictions will be appropriately noted.

(c) Escrow of Shares. The Committee may require that any stock certificates evidencing shares of Restricted Stock be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.

(d) Restrictions and Restriction Period. During the Restriction Period applicable to shares of Restricted Stock, such shares shall be subject to limitations on transferability and a Risk of Forfeiture arising on the basis of such conditions related to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any Risk of Forfeiture applicable to an Award of Restricted Stock may be waived or terminated, or the Restriction Period shortened, by the Committee in connection with such extraordinary circumstances as it deems appropriate.

(e) Rights Pending Lapse of Risk of Forfeiture or Forfeiture of Award. Except as otherwise provided in the Plan or the applicable Award Agreement, the Participant shall have all of the rights of a stockholder of the Company with respect to any outstanding shares of Restricted Stock, including the right to vote, and the right to receive any dividends with respect to, the shares of Restricted Stock (but any dividends or other distributions payable in shares of Stock or other securities of the Company shall constitute additional Restricted Stock, subject to the same Risk of Forfeiture as the shares of Restricted Stock in respect of which such shares of Stock or other securities are paid). The Committee, as determined at the time of Award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional Restricted Stock to the extent shares of Stock are available under Section 4.

(f) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture, any certificates for such shares shall be delivered to the Participant promptly if not theretofore so delivered.

7.4. Restricted Stock Units.

(a) Character. Each Restricted Stock Unit shall entitle the recipient to a share of Stock at a close of such Restriction Period as the Committee may establish and subject to a Risk of Forfeiture arising on the basis of such conditions relating to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any Risk of Forfeiture applicable to an Award of Restricted Stock Units may be waived or terminated, or the Restriction Period shortened, by the Committee in connection with such extraordinary circumstances as it deems appropriate.

(b) Form and Timing of Payment. Payment of earned Restricted Stock Units shall be made in a single lump sum promptly following the close of the applicable Restriction Period. At the discretion of the Committee, Participants may be entitled to receive payments equivalent to any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but, with respect to Restricted Stock Units which vest based on satisfaction of performance-based vesting criteria, only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such dividend equivalents shall be paid, if at all, without interest or other earnings.

7.5. Performance Shares and Performance Units.

(a) Character. Each Performance Share shall entitle the recipient to the value of a specified number of shares of Stock, over the initial value for such number of shares, if any, established by the Committee at the time of grant, at the close of a specified Performance Period to the extent specified business objectives, including but not limited to Performance Goals, shall have been achieved. Each Performance Unit shall entitle the recipient to the value of a specified amount of cash or other property other than Stock established by the Committee at the time of grant, at the close of a specified Performance Period to the extent specified business objectives, including but not limited to Performance Goals, shall have been achieved.

(b) Earning of Performance Shares and Performance Units. The Committee shall set Performance Goals or other business objectives in its discretion which, depending on the extent to which they are met within the applicable Performance Period, will determine the number and value of Performance Shares and/or Performance Units that will be paid out to the Participant. After the applicable Performance Period has ended, the holder of Performance Shares or Performance Units shall be entitled to receive payout on the number and value of Performance Shares or Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Goals or other business objectives have been achieved.

(c) Form and Timing of Payment. Payment of earned Performance Shares or Performance Units shall be made in a single lump sum following the close of the applicable Performance Period. At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Stock in connection with grants of Performance Shares which have been earned upon satisfaction of the applicable Performance Goals, but not yet distributed to Participants. The Committee may permit or, if it so provides at grant require, a Participant to defer such Participant's receipt of the payment of cash or the delivery of Stock that would otherwise be due to such Participant by virtue of the satisfaction of any requirements or goals with respect to Performance Units. If any such deferral election is required or permitted, the Committee shall establish rules and procedures for such payment deferrals.

7.6. Stock Grants. Stock Grants shall be awarded solely in recognition of significant prior or expected contributions to the success of the Company or its Affiliates, as an inducement to employment, in lieu of compensation otherwise already due and in such other limited circumstances as the Committee deems appropriate. Stock Grants shall be made without forfeiture conditions of any kind.

7.7. Qualified Performance-Based Awards.

(a) Purpose. The purpose of this Section 7.7 is to provide the Committee the ability to qualify Awards as "performance-based compensation" under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant an Award as a Qualified Performance-Based Award, the provisions of this Section 7.7 will control over any contrary provision contained in the Plan. In the course of granting any Award, the Committee may specifically designate the Award as intended to qualify as a Qualified Performance-Based Award. However, no Award shall be considered to have failed to qualify as a Qualified Performance-Based Award solely because the Award is not expressly designated as a Qualified Performance-Based Award, if the Award otherwise satisfies the provisions of this Section 7.7 and the requirements of Section 162(m) of the Code applicable to "performance-based compensation."

(b) Authority. All grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by the Committee. If not all of the members thereof qualify as "outside directors" within the meaning of Section 162 of the Code, however, all grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by a subcommittee of the Committee consisting of such of the members of the Committee as do so qualify. Any reference in this Section 7.7 to the Committee shall mean any such subcommittee if required under the preceding sentence, and any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan.

(c) Discretion of Committee with Respect to Qualified Performance-Based Awards. Any form of Award permitted under the Plan, other than a Stock Grant, may be granted as a Qualified Performance-Based Award. Options and Stock Appreciation Rights may be granted as Qualified Performance-Based Awards in accordance with Section 7.1 and 7.2, respectively, and may become exercisable based on continued service, on satisfaction of Performance Goals or other business objectives, or on a combination thereof. Each other Award intended to qualify as a Qualified Performance-Based Award, such as Restricted Stock, Restricted Stock Units, Performance Shares, or Performance Units, shall be subject to satisfaction of one or more Performance Goals except as otherwise provided in this Section 7.7. The Committee will have full discretion to select the length of any applicable Restriction Period

or Performance Period, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, a subsidiary of the Company or any division or business unit or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable Performance Period (or at such other date as may be required or permitted for “performance-based compensation” under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined for purposes of Section 162(m) of the Code) at the time established.

(d) **Payment of Qualified Performance-Based Awards.** A Participant will be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee, *provided*, that a Qualified Performance-Based Award may be deemed earned as a result of death, becoming disabled, or in connection with a change of control (within the meaning of Section 162(m) of the Code) if otherwise provided in the Plan or the applicable Award Agreement even if the Award would not constitute “performance-based compensation” under Section 162(m) of the Code following the occurrence of such an event. In determining the actual size of an individual Qualified Performance-Based Award, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

(e) **Limitation on Adjustments for Certain Events.** No adjustment of any Qualified Performance-Based Award pursuant to Section 8 shall be made except on such basis, if any, as will not cause such Award to provide other than “performance-based compensation” within the meaning of Section 162(m) of the Code.

(f) **Definitions.** For purposes of the Plan

(i) **Performance Criteria** means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after dividends), (ii) earnings or earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales, net sales or comparable store sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) selling, general and administrative expenses; (xxv) customer service, (xxvi) return on sales, (xxvii) cash flow return on investment, (xxviii) synergies, and (xxix) cost to obtain synergies.

(ii) **Performance Goals** means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon one or more of the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparison group, in each case as specified by the Committee. The Committee will objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant, including whether or to what extent there shall not be taken into account any of the

following events that occurs during a Performance Period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Standard Codification Section 225-20, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

7.8. Dividend Equivalents. Subject to the requirements of Section 7.5(c) applicable to Performance Shares and Performance Units, Dividend Equivalents may be granted hereunder to Participants either alone or in connection with another Award, other than Options or Stock Appreciation Rights, granted under the Plan. The provisions of Dividend Equivalents need not be the same with respect to each recipient. Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, cash dividends, or Dividend Equivalents with respect to the number of shares of Stock.

7.9. Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, procedures, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be as comparable as practicable to the value of such an Award to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements or sub-plans to, or amendments, restatements, or alternative versions of, the Plan for the purpose of granting and administering any such modified Award. No such modification, supplement, sub-plan, amendment, restatement or alternative version may increase the share limit of Section 4.

8. Adjustment Provisions

8.1. Adjustment for Corporate Actions. All of the share numbers set forth in the Plan reflect the capital structure of the Company as of April 1, 2014. If subsequent to that date the outstanding shares of Stock (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to shares of Stock, as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such shares of Stock, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of shares provided in Section 4, (ii) the numbers and kinds of shares or other securities subject to the then outstanding Awards, (iii) the exercise price for each share or other unit of any other securities subject to then outstanding Options and Stock Appreciation Rights (without change in the aggregate purchase price as to which such Options or Rights remain exercisable), and (iv) the repurchase price of each share of Restricted Stock then subject to a Risk of Forfeiture in the form of a Company repurchase right.

8.2. Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In the event of any corporate action not specifically covered by the preceding Section, including but not limited to an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments

are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

8.3. Related Matters. Any adjustment in Awards made pursuant to Section 8.1 or 8.2 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms, including of Option exercise prices, rates of vesting or exercisability, Risks of Forfeiture, applicable repurchase prices for Restricted Stock, and Performance Goals and other business objectives which the Committee may deem necessary or appropriate so as to ensure the rights of the Participants in their respective Awards are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 8. The Committee, in its discretion, may determine that no fraction of a share of Stock shall be purchasable or deliverable upon exercise, and in that event if any adjustment hereunder of the number of shares of Stock covered by an Award would cause such number to include a fraction of a share of Stock, such number of shares of Stock shall be adjusted to the nearest smaller whole number of shares. No adjustment of an Option exercise price per share pursuant to Sections 8.1 or 8.2 shall result in an exercise price which is less than the par value of the Stock.

8.4. Transactions.

(a) Definition of Transaction. In this Section 8.4, "Transaction" means (1) consummation of any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) any sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions or (4) any liquidation or dissolution of the Company.

(b) Treatment of Options and Stock Appreciation Rights. In a Transaction, the Committee may take any one or more of the following actions as to all or any (or any portion of) outstanding Options and Stock Appreciation Rights (collectively, "Rights").

(1) Provide that such Rights shall be assumed, or substantially equivalent rights shall be provided in substitution therefore, by the acquiring or succeeding entity (or an affiliate thereof).

(2) Upon written notice to the holders, provide that the holders' unexercised Rights will terminate immediately prior to the consummation of such Transaction unless exercised within a specified period following the date of such notice.

(3) Provide that outstanding Rights shall become exercisable in whole or in part prior to or upon the Transaction.

(4) Provide for cash payments, net of applicable tax withholdings, to be made to holders equal to the excess, if any, of (A) the acquisition price times the number of shares of Stock subject to a Right (to the extent the exercise price does not exceed the acquisition price) over (B) the aggregate exercise price for all such shares of Stock subject to the Right, in exchange for the termination of such Right; provided, that if the acquisition price does not exceed the exercise price of any such Right, the Committee may cancel that Right without the payment of any consideration therefore prior to or upon the Transaction. For this purpose, "acquisition price" means the amount of cash, and market value of any other consideration, received in payment for a share of Stock surrendered in a Transaction but need not take into account any deferred consideration unless and until received.

(5) Provide that, in connection with a liquidation or dissolution of the Company, Rights shall convert into the right to receive liquidation proceeds net of the exercise price thereof and any applicable tax withholdings.

- (6) Any combination of the foregoing.

For purposes of paragraph (1) above, a Right shall be considered assumed, or a substantially equivalent right shall be considered to have been provided in substitution therefore, if following consummation of the Transaction the Right confers the right to purchase or receive the value of, for each share of Stock subject to the Right immediately prior to the consummation of the Transaction, the consideration (whether cash, securities or other property) received as a result of the Transaction by holders of Stock for each share of Stock held immediately prior to the consummation of the Transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); *provided, however*, that if the consideration received as a result of the Transaction is not solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof), the Committee may provide for the consideration to be received upon the exercise of the Right to consist of or be based solely on common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof) equivalent in value to the per share consideration received by holders of outstanding shares of Stock as a result of the Transaction.

(c) Treatment of Other Awards. As to outstanding Awards other than Options or Stock Appreciation Rights, upon the occurrence of a Transaction other than a liquidation or dissolution of the Company which is not part of another form of Transaction, the repurchase and other rights of the Company under each such Award shall inure to the benefit of the Company's successor and shall, unless the Committee determines otherwise, apply to the cash, securities or other property which the Stock was converted into or exchanged for pursuant to such Transaction in the same manner and to the same extent as they applied to the Award. Upon the occurrence of a Transaction involving a liquidation or dissolution of the Company which is not part of another form of Transaction, except to the extent specifically provided to the contrary in the instrument evidencing any Award or any other agreement between a Participant and the Company, all Risks of Forfeiture and Performance Goals or other business objectives, where otherwise applicable to any such Awards, shall automatically be deemed terminated or satisfied, as applicable.

(d) Related Matters. In taking any of the actions permitted under this Section 8.4, the Committee shall not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically. Any determinations required to carry out the foregoing provisions of this Section 8.4, including but not limited to the market value of other consideration received by holders of Stock in a Transaction and whether substantially equivalent Rights have been substituted, shall be made by the Committee acting in its sole discretion. In connection with any action or actions taken by the Committee in respect of Awards and in connection with a Transaction, the Committee may require such acknowledgments of satisfaction and releases from Participants as it may determine.

9. Change of Control

Except as otherwise provided below, upon the occurrence of a Change of Control:

- (a) any and all Options and Stock Appreciation Rights not already exercisable in full shall Accelerate with respect to fifty percent (50%) of the shares for which such Options or Stock Appreciation Rights are not then exercisable;
- (b) any Risk of Forfeiture applicable to Restricted Stock and Restricted Stock Units which is not based on achievement of Performance Goals or other business objectives shall lapse with respect to fifty percent (50%) of the Restricted Stock and Restricted Stock Units still subject to such Risk of Forfeiture immediately prior to the Change of Control; and
- (c) all outstanding Awards of Restricted Stock and Restricted Stock Units conditioned on the achievement of Performance Goals or other business objectives and the payouts attainable under outstanding Performance Shares or Performance Units shall be deemed to have been satisfied as of the effective date of the Change of Control as to a pro rata number of shares based on the assumed achievement of all relevant Performance Goals or other business objectives (at target level performance, if relevant) and the length of time within the Restriction Period or Performance Period which has elapsed prior to the Change of Control.

A Stock Appreciation Right related to an Option which can only be exercised during limited periods following a Change of Control may entitle the Participant to receive an amount based upon the highest price paid or offered for Stock in any transaction relating to the Change of Control or paid during the thirty (30) day period immediately preceding the occurrence of the Change of Control in any transaction reported in the stock market in which the Stock is normally traded. All Awards of Performance Units and Restricted Stock Units shall be paid to the extent earned to Participants in accordance with their terms within thirty (30) days following the effective date of the Change of Control. None of the foregoing shall apply, however, (i) in the case of any Award pursuant to an Award Agreement requiring other or additional terms upon a Change of Control (or similar event), (ii) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges, or (iii) as otherwise provided in Section 7.7, concerning Qualified Performance-Based Awards.

10. Settlement of Awards

10.1. In General. Options and Restricted Stock shall be settled in accordance with their terms. All other Awards may be settled in cash, Stock, or other Awards, or a combination thereof, as determined by the Committee at or after grant and subject to any contrary Award Agreement. The Committee may not require settlement of any Award in Stock pursuant to the immediately preceding sentence to the extent issuance of such Stock would be prohibited or unreasonably delayed by reason of any other provision of the Plan.

10.2. Violation of Law. Notwithstanding any other provision of the Plan or the relevant Award Agreement, if, at any time, in the reasonable opinion of the Company, the issuance of shares of Stock covered by an Award may constitute a violation of law, then the Company may delay such issuance until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the shares of Stock are at the time of the issue of such shares effectively registered under the Securities Act of 1933, as amended; or

(b) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such shares does not require registration under the Securities Act of 1933, as amended or any applicable State securities laws.

Furthermore, the inability of the Company to obtain or maintain, or the impracticability of it obtaining or maintaining, authority from any governmental agency having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance of any Stock hereunder, shall relieve the Company of any liability in respect of the failure to issue such Stock as to which such requisite authority shall not have been obtained, and shall constitute circumstances in which the Committee may determine to amend or cancel Awards pertaining to such Stock, with or without consideration to the affected Participants.

10.3. Corporate Restrictions on Rights in Stock. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the charter, certificate or articles, and by-laws, of the Company. Whenever Stock is to be issued pursuant to an Award, if the Committee so directs at or after grant, the Company shall be under no obligation to issue such shares until such time, if ever, as the recipient of the Award (and any person who exercises any Option, in whole or in part), shall have become a party to and bound by the Stockholders' Agreement, if any.

10.4. Investment Representations. The Company shall be under no obligation to issue any shares of Stock covered by any Award unless the shares to be issued pursuant to Awards granted under the Plan have been effectively registered under the Securities Act of 1933, as amended, or the Participant shall have made such written representations to the Company (upon which the Company believes it may reasonably rely) as the Company may deem necessary or appropriate for purposes of confirming that the issuance of such shares will be exempt from the

registration requirements of that Act and any applicable state securities laws and otherwise in compliance with all applicable laws, rules and regulations of any jurisdiction in which Participants may reside or primarily work, including but not limited to that the Participant is acquiring the shares for his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.

10.5. Registration. If the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or other applicable statutes any shares of Stock issued or to be issued pursuant to Awards granted under the Plan, or to qualify any such shares of Stock for exemption from the Securities Act of 1933, as amended or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each recipient of an Award, or each holder of shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for that purpose and may require reasonable indemnity to the Company and its officers and directors from that holder against all losses, claims, damage and liabilities arising from use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or the managing underwriter in any public offering of shares of Stock, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the 180 day period commencing on the effective date of the registration statement relating to the underwritten public offering of securities. Without limiting the generality of the foregoing provisions of this Section 10.5, if in connection with any underwritten public offering of securities of the Company the managing underwriter of such offering requires that the Company's directors and officers enter into a lock-up agreement containing provisions that are more restrictive than the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock acquired pursuant to the Plan (regardless of whether such person has complied or complies with the provisions of clause (b) below) shall be bound by, and shall be deemed to have agreed to, the same lock-up terms as those to which the Company's directors and officers are required to adhere; and (b) at the request of the Company or such managing underwriter, each such person shall execute and deliver a lock-up agreement in form and substance equivalent to that which is required to be executed by the Company's directors and officers.

10.6. Placement of Legends; Stop Orders; etc. Each share of Stock to be issued pursuant to Awards granted under the Plan may bear a reference to the investment representations made in accordance with Section 10.4 in addition to any other applicable restrictions under the Plan, and the terms of the Award and under the Stockholders' Agreement and, if applicable, to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to such shares of Stock. All shares of Stock or other securities issued under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions, or, if the Stock will be held in book-entry position through the direct registration system of the Company's transfer agent, the restrictions will be appropriately noted.

10.7. Tax Withholding. Whenever shares of Stock are issued or to be issued pursuant to Awards granted under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local, foreign or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates, held in book-entry position through the direct registration system of the Company's transfer agent, for such shares. The obligations of the Company under the Plan shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to a Participant or to utilize any other withholding method prescribed by the Committee from time to time. However, in such cases Participants may elect, subject to the approval of the Committee, acting in its sole discretion, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold shares of Stock to satisfy their tax obligations. All elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee deems appropriate. If shares of Stock are withheld to satisfy an applicable

withholding requirement, the shares of Stock withheld shall have a Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction, *provided, however*, if shares of Stock are withheld to satisfy a withholding requirement imposed by a country other than the United States, the amount withheld may exceed such minimum, provided that it is not in excess of the actual amount required to be withheld with respect to the Participant under applicable tax law or regulations.

10.8. Company Charter and By-Laws; Other Company Policies. This Plan and all Awards granted hereunder are subject to the charter and By-Laws of the Company, as they may be amended from time to time, and all other Company policies duly adopted by the Board, the Committee or any other committee of the Board and as in effect from time to time regarding the acquisition, ownership or sale of Stock by employees and other service providers, including, without limitation, policies intended to limit the potential for insider trading and to avoid or recover compensation payable or paid on the basis of inaccurate financial results or statements, employee conduct, and other similar events.

11. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Awards granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

12. Limitation of Rights in Stock; No Special Service Rights

A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock subject to an Award, unless and until a certificate shall have been issued therefor and delivered to the Participant or his agent, or the Stock shall be issued through the direct registration system of the Company's transfer agent. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the certificate or articles of incorporation and the by-laws of the Company. Nothing contained in the Plan or in any Award Agreement shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

13. Unfunded Status of Plan

The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments with respect to Awards hereunder, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

14. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor any action taken in connection with the adoption or operation of the Plan shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

15. No Guarantee of Tax Consequences

It is intended that all Awards shall be granted and maintained on a basis which ensures they are exempt from, or otherwise compliant with, the requirements of Section 409A of the Code, pertaining to non-qualified plans of deferred compensation, and the Plan shall be governed, interpreted and enforced consistent with such intent. However, neither the Company nor any Affiliate, nor any director, officer, agent, representative or employee of either, guarantees to the Participant or any other person any particular tax consequences as a result of the grant of, exercise of rights under, or payment in respect of an Award, including but not limited to that an Option granted as an Incentive Option has or will qualify as an "incentive stock option" within the meaning of Section 422 of the Code or that the provisions and penalties of Section 409A of the Code will or will not apply and no person shall have any liability to a Participant or any other party if a payment under an Award that is intended to benefit from favorable tax treatment or avoid adverse tax treatment fails to realize such intention or for any action taken by the Board or the Committee with respect to the Award.

16. Termination and Amendment of the Plan

16.1. Termination or Amendment of the Plan. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval, if applicable, the Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment.

16.2. Termination or Amendment of Outstanding Awards; Assumptions. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval, if applicable, the Committee may at any time:

(a) amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan;

(b) within the limitations of the Plan, modify, extend or assume outstanding Awards or accept the cancellation of outstanding Awards or of outstanding stock options or other equity-based compensation awards granted by another issuer in return for the grant of new Awards for the same or a different number of shares of Stock and on the same or different terms and conditions (including but not limited to the exercise price of any Option); and

(c) offer to buy out for a payment in cash or cash equivalents an Award previously granted or authorize the recipient of an Award to elect to cash out an Award previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

16.3. Limitations on Amendments, Etc.

(a) Without the approval of the Company's stockholders, no amendment or modification of the Plan by the Board may (i) increase the number of shares of Stock which may be issued under the Plan, (ii) change the description of the persons eligible for Awards, or (iii) effect any other change for which stockholder approval is required by law or the rules of any relevant stock exchange.

(b) No action by the Board or the Committee pursuant to this Section 16 shall impair the rights of the recipient of any Award outstanding on the date of such amendment or modification of such Award, as the case may be, without the Participant's consent; *provided, however*, that no such consent shall be required if the Board or Committee, as the case may be, (i) determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation, including without limitation the provisions of Section 409A of the Code, or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard, (ii) determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration is not reasonably likely to significantly diminish the benefits provided under the Award, or that any such diminution has been adequately compensated, or (iii) reasonably determines on or after the date of Change of Control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation, including without limitation the provisions of Section 409A of the Code.

(c) Except in connection with a corporate transaction involving the Company, the terms of outstanding Options or Stock Appreciation Rights may not be amended to reduce their exercise price, nor may outstanding Options or Stock Appreciation Rights be cancelled in exchange for cash, Options or Stock Appreciation Rights with exercise prices that are less than the exercise prices of the original Options or Stock Appreciation Rights, or other Awards, without stockholder approval.

17. Notices and Other Communications

Any communication or notice required or permitted to be given under the Plan shall be in such form as the Committee may determine from time to time. If a notice, demand, request or other communication is required or permitted to be given in writing, then any such notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (i) if to the recipient of an Award, at his or her residence address last filed with the Company and (ii) if to the Company, at its principal place of business, addressed to the attention of its Treasurer, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report.

18. Governing Law

The Plan and all Award Agreements and actions taken hereunder and thereunder shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware without regard to the conflict of laws principles thereof.

19. Compliance with Law.

19.1 Compliance with Law Generally. The Plan, the exercise of Options and Stock Appreciation Rights, and the obligations of the Company to issue or transfer shares of Stock under Awards shall be subject to all applicable laws and regulations, and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to Section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that Incentive Options comply with the applicable provisions of Section 422 of the Code, that Awards of "qualified performance-based compensation" comply with the applicable provisions of Section 162(m) of the Code and that, to the extent applicable, Awards comply with the requirements of Section 409A of the Code. To the extent that any legal requirement of Section 16 of the Exchange Act or Section 422, 162(m) or 409A of the Code as set forth in the Plan ceases to be required under Section 16 of the Exchange Act or Section 422, 162(m) or 409A of the Code, that Plan provision shall cease to apply. The Committee may revoke any Award if it is contrary to law or modify an Award to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

19.2 Section 409A.

(a) The Plan is intended to comply with the requirements of Section 409A of the Code, to the extent applicable. Each Award shall be construed and administered such that the Award either (a) qualifies for an exemption from the requirements of Section 409A of the Code or (b) satisfies the requirements of Section 409A of the Code. If an Award is subject to Section 409A of the Code, (i) distributions shall only be made in a manner and upon an event permitted under Section 409A of the Code, (ii) payments to be made upon a termination of employment or service shall only be made upon a "separation from service" under Section 409A of the Code, (iii) unless the Award specifies otherwise, each payment under an Award shall be treated as a right to a separate payment and each installment payment shall be treated as a separate payment for purposes of Section 409A of the Code, and (iv) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except in accordance with Section

409A of the Code.

(b) Any Award that is subject to Section 409A of the Code and that is to be distributed to a Key Employee (as defined below) upon separation from service shall be administered so that any distribution with respect to such Award shall be postponed for six months following the date of the Participant's separation from service, if required by Section 409A of the Code. If a distribution is delayed pursuant to Section 409A of the Code, the distribution shall be paid within 15 days after the end of the six-month period. If the Participant dies during such six-month period, any postponed amounts shall be paid within 90 days of the Participant's death. The determination of Key Employees, including the number and identity of persons considered Key Employees and the identification date, shall be made by the Committee or its delegate each year in accordance with Section 416(i) of the Code and the "specified employee" requirements of Section 409A of the Code.

ADVANCE AUTO PARTS, INC.

SPECIAL PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS CERTIFIES THAT Advance Auto Parts, Inc. (the “Company”) has on the Grant Date specified below granted to Reuben E. Slone (the “Participant”) an award of Performance-based Restricted Stock Units (“PSUs”) representing the right to receive a like number of shares of Advance Auto Parts, Inc. common stock, \$.0001 par value per share (“Common Stock”), as indicated in the terms outlined below, subject to certain restrictions and conditions contained in this Award Agreement (“Agreement”) and the Advance Auto Parts, Inc. 2014 Long-Term Incentive Plan (the “Plan”). In the event of any conflict between the terms of the Plan and this Award Agreement, the terms of the Plan shall govern. Any terms not defined herein shall have the meaning set forth in the Plan.

* * * * *

1. Grant of PSUs: As specified below, on the Award Date the following award of PSUs (at Target Level) (the “Target Award”) has been granted to the Participant:

Award Date	Number of PSUs Granted (at Target Level)	Performance Vesting Date
November 19, 2018	2813	November 19, 2022

2. Vesting. Vesting is subject to the remaining provisions of this award:

The Participant’s PSUs may vest, in an amount up to the maximum vesting PSUs (defined below) on the Performance Vesting Date, subject to continued employment or other association with the Company through that date and except as otherwise provided in Section 3 of this Agreement. The number of PSUs that may vest will be determined in accordance with the following rules, subject to certification by the Committee of the Company’s Enterprise Operating Margin for the Company’s Fiscal Year 2021 (the “Performance Period”). The Company’s Enterprise Operating Margin shall be calculated as a percentage by dividing the Company’s Operating Income (as determined in accordance with GAAP) by total revenues less transaction-based expenses for the Performance Period.

A designated portion of the Participant’s PSUs may vest based upon the Company’s Enterprise Operating Margin performance, according to the schedule established by the Committee as shown in Exhibit 1 to this Agreement. If the Company achieves target level performance, the payout amount shall be the Number of Shares to Vest (at Target Level) listed in Section 1 of this Agreement. Payout amounts based on performance results between the threshold and maximum levels will be determined using straight line interpolation between specified points of performance. If the Company’s Enterprise Operating Margin during the Performance Period is less than the threshold level of Enterprise Operating Margin set forth in Exhibit 1 to this Agreement, no PSUs will vest.

The Participant’s “Maximum Vesting PSUs” is 150% of the number of PSUs indicated above in the box labeled “Number of PSUs to Vest (at Target Level).”

3. Termination of Service. Except as provided in this Section 3, if, prior to the Performance Vesting Date, the Participant’s employment or other association with the Company and its Affiliates ends for any reason, the Participant’s rights to unvested PSUs shall be immediately and irrevocably forfeited, except as follows:
- Disability: if termination of employment or other affiliation is on account of Disability, then the Participant’s PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria set forth in this Agreement. For the purposes of this Award, “Disability” is defined as having become disabled within the meaning of Section 22 (e) (3) of the Internal Revenue Code (or, if applicable, as defined in your Employment Agreement with the Company in effect as of the date of this Award Agreement).

- b. Death: If termination of employment or other affiliation is on the account of the Participant's death, then PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and based on the actual level of achievement of the Performance criteria set forth in this Agreement.
 - c. Termination by the Company other than for Due Cause or Resignation from Employment for Good Reason. If your employment or other association is terminated prior to the Performance Vesting Date by the Company other than for Due Cause, or by you for Good Reason, as those terms are defined in your Employment Agreement, your PSUs will vest on the Performance Vesting Date on a pro-rata basis for the number of full months worked during the applicable Performance Period and in accordance with the Performance criteria set forth in this Agreement.
 - d. Notwithstanding any contrary provision of this Award Agreement, the Company may cancel this Award at any time on ninety (90) days prior notice to you in response to actions taken by you that could be considered detrimental to the Company or any of its Affiliates. Whether any of your actions could be considered detrimental will be determined by the Committee in its sole discretion.
4. Change in Control: Upon a Change in Control, the Company will determine the number of PSUs that are earned based on the actual level of achievement of the Performance criteria outlined in this Agreement through the Change in Control date and any portion of the PSUs not earned will be forfeited. Following this determination, the earned PSUs will vest based on the Participant's continued service with the Company through the original Performance Vesting Date in the event the successor organization assumes, converts or replaces the awards. Any portion of the Participant's earned PSUs (as determined pursuant to this Section 4) that have not yet vested will vest immediately:
- a. on the Change in Control date in the event that the successor organization does not assume, convert, or replace the awards; or
 - b. upon the termination of the Participant's employment or other association with the Company in the event that the successor organization assumes, converts or replaces the awards, and the Participant's employment or other association with the Company is terminated by the Company without Cause or by the Participant for Good Reason as those terms are defined in the Participant's Employment Agreement, within 24 months following the Change in Control date.
5. Non-Transferability of Award. Until shares are issued with respect to PSUs that vest, they may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered. No attempt to transfer unvested PSUs, whether voluntary or involuntary, by operation of law or otherwise, shall vest the transferee with any interest or right in or with respect to the shares. Notwithstanding the foregoing, you may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise your rights to receive any property distributable with respect to the PSUs upon your death.
6. No Rights as a Stockholder. You shall have no rights of a shareholder of the Common Stock on and after the Grant Date and until the date on which the Shares are issued in accordance with Section 7 of this Agreement. Except as may be provided under Section 8 of the Plan, the Company will make no adjustment for dividends (ordinary or extraordinary and whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the Performance Vesting Date of a PSU.
7. Issuing shares. Upon any of the PSUs vesting and payment of the applicable withholding taxes pursuant to Section 11 of this Agreement, the Company shall cause the shares of Common Stock to be issued in book-entry form, registered in your name, within thirty (30) days following the date on which any of the PSUs vest pursuant to Section 1 or Section 2 but no later than March 15, 2023.
8. Notices. Except as otherwise provided herein, all notices, requests, demands, and other communications under this Award Agreement shall be in writing, and if by telecopy, shall be deemed to have been validly served, given, or delivered when sent, or if by personal delivery or messenger or courier service, shall be deemed to have been validly served, given, or delivered upon actual delivery (but in no event may notice be given by deposit in the United States mail), at the following addresses and facsimile numbers (or such other address(es) and facsimile numbers a party may designate for itself by like notice):

- a. If to the Company: Advance Auto Parts, Inc. located at 5008 Airport Road, Roanoke, Virginia, 24012, Attention: General Counsel or by facsimile at (xxx) xxx-xxxx;
With copy to: Advance Auto Parts, Inc. located at 2635 East Millbrook Road, Raleigh, North Carolina, 27604, Attention: Vice President, Total Rewards or by facsimile at (xxx) xxx-xxxx;
- b. If to you, the Participant, to your home address on record with the Company or your business address at the Company.
9. **Non-Competition:** Participant acknowledges and agrees that the Company is engaged in a highly competitive business, and that by virtue of Participant's position and responsibilities as an employee of the Company and Participant's access to Confidential Information, engaging in a business that is directly competitive with the Company will cause it great and irreparable harm. Accordingly, Participant agrees that for a period of one (1) year after separation of his/her employment with the Company, whether such separation is voluntary or involuntary, Participant shall not, on his/her own behalf or on another's behalf, (a) accept employment by or provide services for a Restricted Company, as that term is defined in Participant's applicable Loyalty Agreement or Employment Agreement, in any capacity, role or position with substantially the same or similar duties as Participant performed during Participant's employment with the Company; (b) provide services, including consulting or contractor services for or on behalf of a Restricted Company, as that term is defined in Participant's applicable Loyalty Agreement or Employment Agreement, which are the same or substantially similar as the duties Participant performed during Participant's employment with the Company; or (c) provide services, including consulting or contractor services which would be directly or indirectly competitive with the Company. Participant understands that the business of the Company and Participant's responsibilities on behalf of the Company have been nationwide and companywide in scope. Accordingly, Participant agrees that this restriction will apply anywhere within the United States, including its territories and possessions, including but not limited to, Puerto Rico and the Virgin Islands, and Canada, including its territories and possessions. In the event this territory is determined by a court of competent jurisdiction to be overbroad, the Territory may be reduced to any combination of the following which the Court deems reasonable: The Continental United States; The states of: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.
- a. For purposes of this Agreement, "Confidential Information" means any proprietary information prepared or maintained in any format, including personnel information or data of Advance, technical data, trade secrets or know-how in which Advance or its Related Entities have an interest, including, but not limited to, business records, contracts, research, product or service plans, products, services, customer lists and customers (including, but not limited to, vendors to Advance or its Related Entities on whom Employee called, with whom Employee dealt or with whom Employee became acquainted during the term of Employee's employment), pricing data, costs, markets, expansion plans, summaries, marketing and other business strategies, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration or marketing, financial or other business information obtained by Employee or disclosed to Employee by Advance or its Related Entities or any other person or entity during the term of Employee's employment with Advance either directly or indirectly electronically, in writing, orally, by drawings, by observation of services, systems or other aspects of the business of Advance or its Related Entities or otherwise. Confidential Information does not include information that: (A) was available to the public prior to the time of disclosure; or (B) becomes available to the public through no act or omission of Employee.
- b. Nothing in this Award Agreement shall prohibit or restrict Participant from lawfully (A) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by other governmental or regulatory agency, entity, or official(s) or self-regulatory organization (collectively, "Governmental Authorities") regarding a possible violation of any law, rule, or regulation; (B) responding to any inquiry or legal process directed to you individually (and not directed to the Company and/or its subsidiaries) from any such Governmental Authorities, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; (C) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (D) making any other disclosures that are protected under the whistleblower provisions of any applicable law, rule, or regulation. Additionally, pursuant to the federal

Defend Trade Secrets Act of 2016, Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made to Employee's attorney in relation to a lawsuit for retaliation against Employee for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nor does this Agreement require Employee to obtain prior authorization from the Company before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct. Additionally, nothing in this Award Agreement shall prohibit or restrict Participant from providing legal representation, engaging in the practice of law or any communication or contact with Participant, regardless of who initiates it, regarding any legal representation or the practice of law.

- c. In the event that Participant violates any of the terms of this Section 10, Participant understands and agrees that in addition to the Company's rights to obtain injunctive relief and damages for such violation, Participant shall return to the Company any shares of Common Stock received by Participant or Participant's personal representative that vested on or after any such violation and pay to the Company in cash the amount of any proceeds received by Participant or Participant's personal representative from the disposition or transfer of any such stock, and Participant's unvested PSUs shall be immediately and irrevocably forfeited.

10. Confidentiality: Due to the confidential information contained in this Agreement, including long-term performance measures, the Participant agrees not to disclose the terms of this Agreement to anyone other than the members of the Participant's immediate family, Participant's legal counsel, Participant's accountant(s) or tax advisor(s), and/or Participant's financial advisor(s), or as otherwise provided in Section 9 of this Agreement. Should the details of this agreement be shared with the aforementioned, it shall be on a confidential basis.

11. Income Tax Matters.

- a. The Company makes no representation or warranty as to the tax treatment of your receipt or vesting of the PSUs or upon your sale or other disposition of the shares received following vesting of your Performance-based RSUs. You should rely on your own tax advisors for such advice. The Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes (which are your sole and absolute responsibility) are withheld or collected from you at the time of vesting to comply with all applicable federal or state income tax laws or regulations. The Company will inform you of alternative methods to settle any applicable taxes due prior to the first vesting date of your Award.
- b. For the purpose of determining when shares otherwise issuable on account of your termination of employment or other association with Company will be issued, "termination of employment" or words of similar import, as used in this Award Agreement, shall mean the date as of which the Company and you reasonably anticipate that no further services will be performed by you, and shall be construed as the date that you first incur a "separation from service" for purposes of Section 409A of the Code on or following termination of employment or other association with the Company. Furthermore, if you are a "specified employee" of a public company as determined pursuant to Section 409A of the Code as of your termination of employment or other association with the Company, then any shares otherwise issuable on account of your termination of employment or other association with the Company that constitute deferred compensation within the meaning of Section 409A of the Code and that are otherwise payable during the first six months following your termination of employment or other association with the Company shall be issued to you on the earlier of (1) the date of your death and (2) the first business day of the seventh calendar month immediately following the month in which your termination of employment or other association with the Company occurs.

12. Miscellaneous.

- a. This Award is made under the provisions of the Plan and shall be interpreted in a manner consistent with the Plan. To the extent that any provision in this Award Agreement is inconsistent with the Plan, the provisions of the Plan shall

control. The interpretation of the Committee of any provision of the Plan, the PSUs or this Award, and any determination with respect thereto or hereto by the Committee, shall be binding on all parties. Notwithstanding anything herein to the contrary, this Award Agreement is intended to be interpreted and operated so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986 ("Code") pursuant to the short-term deferral exception thereto; provided however that in no event shall the Company be liable to the Participant for or with respect to any taxes, penalties or interest which may be imposed upon the Participant pursuant to Code Section 409A. To the extent that any Award granted by the Company is subject to Code Section 409A, such Award shall be subject to the terms and conditions that comply with the requirements of Code Section 409A to avoid adverse tax consequences under Code Section 409A.

- b. Nothing contained in this Award Agreement shall confer, intends to confer or imply any rights to an employment relationship or rights to a continued employment relationship with the Company or any Affiliate in your favor or limit the ability of the Company or an Affiliate, as the case may be, to terminate, with or without cause, in its sole and absolute discretion, your employment relationship with the Company or such Affiliate, subject to the terms of any written employment agreement to which you are a party.
- c. Neither the Plan nor this Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and you or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured creditor of the Company or any Affiliate.
- d. The Company shall not be required to deliver any shares of Common Stock until the requirements of any federal or state securities laws, rules or regulations or other laws or rules (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.
- e. An original record of this Award and all the terms hereof, executed by the Company, is held on file by the Company. To the extent there is any conflict between the terms contained in this Award Agreement and the terms contained in the original held by the Company, the terms of the original held by the Company shall control.
- f. If any provision in this Award Agreement is determined to be invalid, void or unenforceable by the decision of any court of competent jurisdiction, which determination is not appealed or appealable for any reason whatsoever, the provision in question shall not be deemed to affect or impair the validity or enforceability of any other provision of this Award Agreement and such invalid or unenforceable provision or portion thereof shall be severed from the remainder of this Award Agreement.
- g. For any Participant who is an Executive Officer of the Company as defined in the Company's Incentive Compensation Clawback Policy ("Clawback Policy"), this Award shall be subject to the Clawback Policy as such policy shall be adopted, and from time to time amended, by the Board or the Compensation Committee.
- h. This Award is intended to be consistent with your Employment Agreement as in effect on the date first written above. However, to the extent that any provision of this Award Agreement is inconsistent with the terms of your Employment Agreement as in effect on the date first written above, the provisions of this Award Agreement shall control with respect to this Award.

In Witness Whereof, this Award Agreement has been executed by the Company as of the date first above written.

ADVANCE AUTO PARTS, INC.

By: _____
Natalie Schechtman
Executive Vice President, Human Resources

Accepted and agreed, including specifically but without limitation as to the treatment of this Award in accordance with the terms of the Plan and this Award notwithstanding any terms of an Employment/ Loyalty Agreement between the Company and the undersigned to the contrary:

By: _____
Electronic Signature Acceptance Date

Advance Auto Parts, Inc.
Subsidiaries of the Registrant
As of December 29, 2018

Company Name	State or Sovereign Power of Incorporation
Advance Stores Company, Incorporated	Virginia
Advance Trucking Corporation	Virginia
Western Auto Supply Company	Delaware
Western Auto of St. Thomas, Inc.	Delaware
Western Auto of Puerto Rico, Inc.	Delaware
Discount Auto Parts, LLC	Virginia
Advance Auto Innovations, LLC	Virginia
Advance Patriot, Inc.	Delaware
Autopart International, Inc.	Massachusetts
Advance Auto Business Support, LLC	Virginia
E-Advance, LLC	Virginia
Crossroads Global Trading Corp.	Virginia
Advance e-Service Solutions, Inc.	Virginia
Driverside, Inc.	Delaware
Motologic, Inc.	Delaware
AAP Financial Services, Inc.	Virginia
B.W.P. Distributors, Inc.	New York
General Parts International, Inc.	North Carolina
General Parts, Inc.	North Carolina
Worldpac, Inc.	Delaware
Worldpac, Puerto Rico, LLC	Delaware
Worldpac, Canada, Inc.	Canada
Golden State Supply, LLC	Nevada
Worldwide Auto Parts, Inc.	California
Straus-Frank Enterprises, LLC	Texas
General Parts Distribution, LLC	North Carolina
GPI Technologies, LLC	Delaware
Carquest Canada LTD	Canada

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendments on Registration Statement Nos. 333-196240, 333-178572, 333-74162, and 333-115772 on Form S-8, and Registration Statement Nos. 333-155449 and 333-89154 on Form S-8 of our reports dated February 19, 2019, relating to the consolidated financial statements and financial statement schedule of Advance Auto Parts, Inc. and subsidiaries (the “Company”), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 29, 2018.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 19, 2019

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas R. Greco, certify that:

1. I have reviewed this annual report on Form 10-K of Advance Auto Parts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2019

/s/ Thomas R. Greco

Thomas R. Greco

President and Chief Executive Officer and Director

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey W. Shepherd, certify that:

1. I have reviewed this annual report on Form 10-K of Advance Auto Parts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2019

/s/ Jeffrey W. Shepherd

Jeffrey W. Shepherd

Executive Vice President, Chief Financial Officer,
Controller and Chief Accounting Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas R. Greco, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Advance Auto Parts, Inc. for the year ended December 29, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Advance Auto Parts, Inc. The foregoing certification is being furnished to the Securities and Exchange Commission as part of the accompanying report on Form 10-K. A signed original of this statement has been provided to Advance Auto Parts, Inc. and will be retained by Advance Auto Parts, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 19, 2019

By: /s/ Thomas R. Greco

Name: Thomas R. Greco

Title: President and Chief Executive Officer and Director

I, Jeffrey W. Shepherd, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Advance Auto Parts, Inc. for the year ended December 29, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Advance Auto Parts, Inc. The foregoing certification is being furnished to the Securities and Exchange Commission as part of the accompanying report on Form 10-K. A signed original of this statement has been provided to Advance Auto Parts, Inc. and will be retained by Advance Auto Parts, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 19, 2019

By: /s/ Jeffrey W. Shepherd

Name: Jeffrey W. Shepherd

Title: Executive Vice President, Chief Financial Officer, Controller and Chief Accounting Officer