

**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 30 , 2023
- ☐ **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.)

4200 Six Forks Road , Raleigh , North Carolina 27609

(Address of principal executive offices) (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	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value	AAP	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 Regulation 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☒

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 15, 2023, the aggregate market value of common stock held by non-affiliates of the registrant was \$ 4,178,937,579 , based on the last sales price on July 15, 2023, as reported by the New York Stock Exchange.

As of March 5, 2024, the number of shares of the registrant's common stock outstanding was 59,551,042 shares.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for its 2024 Annual Meeting of Stockholders, to be held on May 22, 2024, are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

Certain statements herein are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are usually identifiable by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “likely,” “may,” “plan,” “position,” “possible,” “potential,” “probable,” “project,” “should,” “strategy,” “will,” or similar language. All statements other than statements of historical fact are forward-looking statements, including, but not limited to, statements about our strategic initiatives, including cost reduction initiatives, the potential sales of the Worldpac and Carquest Canada portions of our business, operational plans and objectives, expectations for economic conditions, future business and financial performance, as well as statements regarding underlying assumptions related thereto. Forward-looking statements reflect our views based on historical results, current information and assumptions related to future developments. Except as may be required by law, we undertake no obligation to update any forward-looking statements made herein. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements. They include, among others, factors related to the company’s leadership transitions, our ability to complete the potential divestitures of Worldpac and Carquest Canada, our ability to hire, train and retain qualified employees, the timing and implementation of strategic initiatives, deterioration of general macroeconomic conditions, geopolitical conflicts, the highly competitive nature of our industry, demand for our products and services, access to financing on favorable terms, complexities in our inventory and supply chain and challenges with transforming and growing our business. Except as may be required by law, we undertake no obligation to update any forward-looking statements made herein. Please refer to [“Item 1A. Risk Factors”](#) included in this report and other filings made by us with the Securities and Exchange Commission (“SEC”) for a description of these and other risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements.

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 each year. Our previous three fiscal years ended on December 30, 2023 (“2023”), December 31, 2022 (“2022”) and January 1, 2022 (“2021”) and included fifty-two 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 names, original equipment manufacturer (“OEM”) and owned brand 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 30, 2023, we operated 4,786 stores and 321 branches primarily under the trade names “Advance Auto Parts,” “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 served professional customers since 2000. We have grown significantly as a result of strategic acquisitions, new store openings and comparable store sales growth. 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 trade names.

Stores and Branches

Key factors in selecting sites and market locations in which we operate include population, demographics, traffic count, vehicle profile, competitive landscape and the cost of real estate. During 2023, 61 stores and branches were opened and 40 were closed or consolidated, resulting in a total of 5,107 stores and branches as of December 30, 2023 compared with a total of 5,086 stores and branches as of December 31, 2022.

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 trade names, which are as follows:

Advance Auto Parts — Our 4,484 stores, inclusive of 394 hubs, as of December 30, 2023, 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 7,800 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 23,000 stock keeping units (“SKUs”), consisting of a custom mix of products based on each store’s unique market. Supplementing our stores’ inventory on-hand, less common SKUs are also available on a same-day or next-day basis from any of our larger hub stores.

Carquest — Our 302 stores as of December 30, 2023, including 149 stores in Canada, are generally located in freestanding buildings with a primary focus on professional customers, but also serve DIY customers. The average size of a Carquest store is approximately 7,000 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 19,000 SKUs. As of December 30, 2023, 1,245 independently-owned stores operated under the Carquest name.

Worldpac — Our 321 branches, of which 135 are branded Autopart International (“AI”), as of December 30, 2023 principally serve professional customers utilizing an efficient and sophisticated online ordering and fulfillment system. Worldpac’s branches are generally larger than our other store locations, averaging approximately 26,000 square feet. Worldpac’s complete product offering includes over 293,000 SKUs for domestic and import vehicles and specializes in imported OEM parts.

As previously disclosed in our quarterly report on Form 10-Q for the period ended October 07, 2023, we announced our intention to explore divestitures of our Worldpac and Carquest Canada businesses in separate sales processes as part of our strategic review. For additional information related to risks related to divestitures, see [Item 1A. Risk Factors](#).

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 30, 2023, 4,935 stores and branches were located in 48 U.S. states and two U.S. territories, and 172 stores and branches were located in nine Canadian provinces.

We serve our stores and branches primarily from our executive office in Raleigh NC. We also maintain customer support centers in Newark CA and Norton MA.

Our Products

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

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 often offered at a good, better or best recommendation differentiated by price and quality. We accept customer returns for many new, core and warranty products. Customer returns have historically been immaterial.

Our Customers

Our professional customers consist primarily of customers for whom we deliver products from our store or branch locations to their places of business, including garages, service stations and auto dealerships. Our professional sales represented nearly 60% of our sales in 2023, 2022 and 2021. We also serve 1,245 independently owned Carquest stores with shipments directly from our distribution centers. Our DIY customers are primarily served through our stores, but 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;
- Check engine light scanning;
- Electrical system testing, including batteries, starters and alternators;
- Oil and battery recycling; and
- Loaner tool programs.

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

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 30, 2023, we operated 50 distribution centers, ranging in size from approximately 60,000 to 943,000 square feet with total square footage of approximately 12.7 million, including one distribution center dedicated to reclamations. In 2023, we closed a distribution center in Asheville, North Carolina.

Merchandise, Marketing and Advertising

In 2023, we purchased merchandise from over 750 vendors. Our purchasing strategy involves negotiating agreements with vendors to purchase merchandise over a specified period of time along with other provisions, including pricing, rebates, 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®, Fram®, Gates®, Meguiar's™, Mobil 1™, Moog®, Monroe®, NGK®, Prestone®, Purolator®, Trico® and Wagner®. In addition to these branded products, we stock a wide selection of high-quality owned brand products with a goal of appealing to value-conscious customers. These categories of merchandise include batteries, brakes, chassis, ride control, engine management, filtration, chemicals and other parts under various owned brand names such as Autopart International®, Carquest®, DieHard®, Driveworks® and Wearever®. For the DieHard® brand, we own the right to sell batteries and to extend the DieHard® brand into other automotive and vehicular categories. We granted the seller an exclusive royalty-free, perpetual license to develop, market and sell DieHard® branded products in certain non-automotive categories.

Our marketing and advertising program is designed to drive brand awareness, consideration by consumers and omnichannel traffic by position in 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, quality brands, experienced parts professionals, professional programs that are designed to build loyalty with our customers and our DIY customer loyalty program.

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.

Human Capital Management

We believe our People are Our Best Part, and we have adopted six Cultural Beliefs to help foster a culture that fully engages our team members with our business: Speak Up, Be Accountable, Take Action, Move Forward, Grow Talent and Champion Inclusion. Our Cultural Belief of Grow Talent highlights the importance to us of developing our team members in their careers, and we seek to not only recruit the best talent, but also retain and promote the best talent. Through another Cultural Belief, Champion Inclusion, we seek to fully leverage the ideas and talents of all team members in caring for our customers and each other. We encourage our team members to Speak Up and promote their engagement through a variety of programs and networks within our organization.

As of December 30, 2023, we employed approximately 40,000 full-time team members and 29,000 part-time team members. Our workforce consisted of 82.5% of our team members employed in store-level operations, 11.3% in distribution and 6.2% in our corporate offices. As of December 30, 2023, approximately 1.3% of our team members were represented by labor unions.

Additional information about our human capital resources can be found in our Corporate Sustainability and Social Report, which is available on our website. Our Corporate Sustainability and Social Report is not, and will not be deemed to be, a part of this Annual Report on Form 10-K or incorporated by reference into any of our other filings with the Securities and Exchange Commission ("SEC").

Intellectual Property

We own a number of trade names, service marks and trademarks, including "Advance Auto Parts[®]," "Advance Same Day[®]," "Autopart International[®]," "Carquest[®]," "CARQUEST Technical Institute[®]," "DieHard[®]," "DriverSide[®]," "MotoLogic[®]," "MotoShop[®]," "SpeedDIAL[®]," "TECH-NET Professional Auto Service[®]" and "Worldpac[®]" for use in connection with the automotive parts business. In addition, we own and have registered a number of trademarks for our owned 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 trademarks 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) 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. 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 compared with 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 brand recognition, customer service, product offerings, availability, quality, service with speed, price and store location.

Environmental and Other Regulatory 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.

We are also subject to numerous regulations including those related to labor and employment, discrimination, anti-bribery/anti-corruption, product quality and safety standards, data privacy, taxes, workplace safety, consumer protection and trade compliance. Compliance with any such laws and regulations has not had a material adverse effect on our operations to date. For more information, see the following disclosures in [“Part I. Item 1A. Risk Factors”](#) elsewhere in this report.

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 2023. We make available free of charge through our Investor Relations website, located at ir.advanceautoparts.com, 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 Securities Exchange Act of 1934 (“Exchange Act”) as soon as reasonably practicable after we electronically file such materials 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.

You should consider carefully the risks and uncertainties described below together with the other information included in this Annual Report on Form 10-K, including without limitation our consolidated financial statements and related notes thereto and [“Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies”](#). The occurrence of any of the following risks could materially adversely affect our business, financial condition, results of operations, cash flows and future prospects, which could in turn materially affect the price of our common stock.

Risks Related to Our Operations and Strategy

If we are unable to successfully implement our business strategy, our business, financial condition, results of operations and cash flows could be adversely affected.

We have undertaken a strategic and operational review to improve the performance of our business and create long-term value. We are currently making and expect to continue to make significant investments to improve our business. If we are unable to implement our initiatives efficiently and effectively, our business, financial condition, results of operations and cash flows could be adversely affected. We could also be adversely affected if we have not appropriately prioritized and balanced our initiatives or if we are unable to effectively manage change throughout our organization. Implementing strategic initiatives could disrupt or reduce the efficiency of our operations and may not provide the anticipated benefits, or may provide them on a delayed schedule or at a higher cost. These risks increase when significant changes are undertaken and when multiple projects with interdependencies and shared human resources are pursued simultaneously.

We are exposed to risks associated with our potential divestitures, which may impact our ability to fully realize the anticipated benefits of those transactions.

We recently announced our intention to explore divestitures of our Worldpac business and Carquest Canada business in separate sales processes as part of our strategic review. There can be no assurance that we will complete these transactions. Divestitures are complex transactions involving inherent risks, including the potential for distractions of management from the core remaining business of the Company and the occurrence of events that may impact our ability to fully realize the anticipated benefits of the divestitures. We have not yet set a timetable for the sale processes, but transactions of this nature carry risks associated to variation from expectations with respect to timing, expense and post-closing claims for liability. If any of these risks materialize, the benefits of such divestitures may not be fully realized, if at all.

If we are unable to design, implement and properly operate and maintain various information systems, 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 the process of designing, implementing and updating various information systems. These initiatives will require significant investment of human and financial resources, and we may experience significant delays, increased costs and other difficulties with these projects. We are currently focusing on projects to improve our merchandising, assortment and inventory systems to enable us to efficiently move product through our supply chain network. Any deficiency in the design or implementation or maintenance of these systems could lead to inaccuracy of data and disruption to our business operations, such as demand and fulfillment data, which would lower the accuracy and efficacy of our demand and inventory forecasting. Such deficiencies may also result in lost sales from failure to buy product demanded by our customers, excess inventory from buying product not demanded by our customers, higher costs from buying products in an inefficient manner, disruption in sending invoices and tracking payments, and otherwise negative impacts to our business operations.

The effectiveness of our supply chain is important to our business operations and ability to grow our business, and if we are unable to maintain adequate supply chain capacity or improve supply chain efficiency, it 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. We are working to optimize our distribution network to support sales growth. If we are unable to maintain adequate capacity in our supply chain network, either as we expand our business or work to optimize our existing network, or if we are unable to improve the efficiency of our supply chain, we may experience higher inventory costs, lower availability, slower delivery speed and ultimately a lower ability to meet consumer product needs and channel preferences. We plan to further invest in distribution center infrastructure to help ensure safety, reliability and efficiency across our operations, which will require capital investments. We are also working to improve product lifecycle management and address slower-moving inventory in our

network. Our investments in our supply chain may not provide the anticipated benefits, and experiencing sub-optimal inventory levels, inventory availability or increases in our costs could adversely affect our business, financial condition, results of operations and cash flows.

Our reliance on suppliers, including freight carriers and other third parties in our global supply chain, subjects us to various risks and uncertainties which could adversely affect our financial results.

We source the products we sell from a wide variety of domestic and international suppliers, and place significant reliance upon various third parties to transport, store and distribute those products to our distribution centers, stores and customers. 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 provisions 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. If we encounter any of these issues with our suppliers, our business, financial condition, results of operations and cash flows could be adversely impacted.

In addition, our suppliers, including those within our global supply chain, are impacted by global conditions that in turn may impact our ability to source merchandise at competitive prices or timely supply product at levels adequate to meet consumer demand. For example, disruptions to the global supply chain resulting from lack of carrier capacity, labor shortages, geopolitical unrest, port congestion and/or closures, amongst other factors, may negatively impact costs, inventory availability and operating results. If suppliers increase prices charged to us for products, including transportation and distribution, as a result of these or other factors such as inflation or the cost of participating in vendor financing programs, it may negatively impact our results. If we experience transitions or changeover with any of our significant vendors, or if they experience financial difficulties or otherwise are unable to deliver merchandise to us on a timely basis, or at all, we could have product shortages in our stores that could adversely affect customers' perceptions of us and cause us to lose customers and sales.

If we are unable to 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 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. As we expand our market presence, it becomes more critical that we have consistent and effective execution across all of our locations and brands. There is uncertainty about the profitability of newly opened locations, including whether newly opened stores will 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 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 online 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. For example, during 2021 through 2022 we experienced significant delays associated with our planned opening of new locations in California, primarily as a result of permitting challenges, and such delays increased our costs and resulted in significant lost sales opportunities. Further, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores. The early 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 employee-related severance or other facility closure costs for stores that are closed or relocated.

Omnichannel growth in our business is complex and if we are unable to successfully maintain a relevant omnichannel experience for our customers, our sales and results of operations could be adversely impacted.

Omnichannel and e-commerce retail are competitive and evolving environments. Operating an e-commerce platform is a complex undertaking and exposes us to risks and difficulties frequently experienced by internet-based businesses, including risks related to our ability to attract and retain customers on a cost-effective basis and our ability to operate, support, expand and develop our internet operations, website, mobile applications and software and other related operational systems.

Enhancing the customer experience through omnichannel programs such as buy-online-pickup-in-store, new or expanded delivery options, the ability to shop through a mobile application or other similar programs depends in part on the effectiveness of our inventory management processes and systems, the effectiveness of our merchandising strategy and mix, our supply chain and distribution capabilities, and the timing and effectiveness of our marketing activities, particularly our promotions. Website or catalog downtime and other technology disruptions in our omnichannel business, including interruptions due to cyber-related issues, aging informational technology infrastructure or natural disasters, as well as supply and distribution delays and other related issues may negatively affect our operations. If we are not able to successfully operate or improve our e-commerce platform and omnichannel business, we may not be able to provide a relevant shopping experience or improve customer traffic, sales or margins, and our reputation, operations, financial condition, results of operations and cash flows could be materially adversely affected.

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, to a significant extent, depends on the continued engagement, services and experience of our executives and other team members. Our ability to attract, develop and retain an adequate number of qualified team members depends on factors such as employee morale, our reputation, competition from other employers, availability of qualified personnel, our ability to offer competitive compensation and benefit packages and our ability to maintain a safe working environment. Failure to recruit or retain qualified team members may impact our ability to serve our customers, increase our costs and impair our efficiency and ability to pursue growth opportunities. Additionally, turnover in executive or other key positions can disrupt progress in implementing business strategies, result in a loss of institutional knowledge, impair our ability to execute, distract other team members from their key areas of focus or otherwise negatively impact our business and results. For example, we experienced turnover in senior leadership positions in our accounting function during 2023 that led to our having a material weakness in our internal control over financial reporting. If we are unable to attract and retain personnel with expertise in the required areas, there may be disruptions in our financial processes and reporting, delays to full remediation of the material weakness in our internal controls or higher likelihood of additional control deficiencies or future material weaknesses in internal control over financial reporting.

We operate in a competitive labor market and are investing in key roles in our frontline organization, and there is a risk that increases in compensation could have an adverse effect on our profitability. Additionally, government regulated increases to employee hourly wage rates, along with our ability to implement corresponding adjustments within our labor model and wage rates, could have a negative impact on our profitability. Approximately 1.3% of our team members are represented by unions. If these team members, or if non-union 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.

We work diligently to maintain the privacy and security of our customers, suppliers, team members and business information and the functioning of our computer systems, website and other online 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. We have taken and continue to undertake significant steps, including contractual provisions and third-party risk management processes, to protect such personally identifiable information and other confidential information and to protect the functioning of our computer systems, website and other online offerings. Despite these efforts, 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. The cost of complying with stricter and more complex data privacy (such as the California Consumer Privacy Act, which grants expanded rights to access and delete personal information and opt out of certain personal information sharing), data collection and information security laws and standards could also be significant to us. Such laws and standards may also increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms ensuring compliance with privacy laws and regulations. Additionally, since we do not control our third-party service providers and our ability to monitor their data security is limited, we cannot ensure the security measures they take will be sufficient to protect our data. A weakness or failure or a breach of a third-party provider's software or systems or controls could result in the compromise of the confidentiality, integrity or availability of our systems or the data housed in our third-party solutions.

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 incident. 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. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover losses in any particular situation. 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.

If we are unable to successfully integrate future acquisitions into our existing operations or implement joint ventures or other strategic relationships, it could adversely affect our business, financial condition, results of operations and cash flows.

We may continue to make strategic acquisitions and enter into strategic relationships as an element of our strategy. Acquisitions, joint ventures and other strategic relationships involve certain risks that could cause our growth and profitability to differ from our expectations. The success of these acquisitions and relationships depends on a number of factors, including but not limited to:

- our ability to continue to identify and acquire suitable targets or strategic partners, or to acquire additional companies or enter into strategic relationships, at favorable prices and/or with favorable terms;
- our ability to obtain the full benefits envisioned by strategic transactions or relationships;
- the risk that management's attention may be distracted;
- our ability to attract and retain key personnel;
- our ability to successfully integrate the operations and systems of the acquired companies, and to achieve the strategic, operational, financial or other anticipated synergies of the acquisition or other transaction or relationship;
- the performance of our strategic partners;
- significant transaction or integration costs that may not be offset by the synergies or other benefits achieved in the near term or at all;
- additional operational risks, such as those associated with doing business internationally or expanding operations into new territories, geographies or channels, that may become applicable to us; and
- loss contingencies that we may assume or become subject to, whether known or unknown, of acquired companies, which could relate to past, present or future facts, events, circumstances or occurrences.

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 with quality products on payment terms that are favorable to us. If our merchandise offerings do not meet our customers' expectations regarding safety, innovation and quality, we could experience lost sales, increased costs and exposure to legal and reputational risk. Our suppliers are subject to applicable product safety laws, and we are dependent on them to ensure that the products we buy comply with all safety and quality standards. We have also 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. 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. 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. 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.

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, 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 subject to a potential securities class action regarding past public disclosures (See [Item 3. Legal Proceedings](#) of this Annual Report on Form 10-K) and to numerous lawsuits alleging injury as a result of exposure to asbestos-containing products (see [Note 13. 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, weights and measures, building and zoning requirements, labor and employment, discrimination, anti-bribery/anti-corruption, data privacy, income taxes and trade sanctions and compliance. 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.

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, civil or geopolitical unrest, public health issues or pandemics or the threat of any of these incidents 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, warfare, geopolitical instability, or uncertainty 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 due to various reasons such as power outages, telecommunication failures, computer viruses, security breaches, malicious cyber attacks 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 significant business interruptions may make it difficult or impossible to continue operations, and any disaster recovery or crisis management plans we may employ may not suffice in any particular situation to avoid a significant adverse impact to our business, financial condition and our results of operations.

Risks Related to Our Industry and the Business Environment

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 we sell 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 ride sharing services*, because fewer vehicles means less maintenance and repairs, and lower vehicle mileage, which decreases the need for maintenance and repair;
- *the economy*, because as consumers reduce their discretionary spending by deferring vehicle maintenance or repair, sales may decline and as new car purchases increase, the number of cars requiring maintenance and repair may decrease;
- *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; additionally, overall climate changes could create greater variability in weather events, which may result in greater volatility for our business, or lead to other significant weather conditions that could impact our business;
- *the average duration of vehicle manufacturer warranties and average age of vehicles 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;
- *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, including the rate of adoption of electric vehicles, hybrid vehicles, ride sharing services, alternative modes of transportation, autonomously driven vehicles and future legislation related thereto, and the increase in the 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 electric and hybrid vehicles, do not require or require less frequent 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.

We may be adversely affected by legal, regulatory or market responses regarding technological adaptation in the automotive industry.

Policy makers in the U.S. may enact legislative or regulatory proposals that would impose mandatory requirements on greenhouse gas emissions and encourage more rapid adoption of vehicles that minimize emissions. Such laws, if enacted, are likely to impact our business in a number of ways. For example, significant increases in fuel economy requirements, new federal or state restrictions on emissions of carbon dioxide or new federal or state incentive programs that may be imposed on vehicles and automobile fuels could adversely affect annual miles driven, purchases of used vehicles that are likely to have a higher need for maintenance and repair, or the relevancy of the products we sell to new vehicles coming into production. We may not be able to accurately predict, prepare for and respond to new kinds of technological innovations with respect to

electric vehicles and other technologies that minimize emissions. Additionally, 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. Our inability to appropriately respond to such changes, adapt our business to meet evolving demands or innovate to remain competitive could adversely impact our business, financial condition, results of operations or cash flows.

If we are unable to compete successfully against other companies in the automotive aftermarket industry, we may lose customers and market share 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 availability, change inventory assortment, increase delivery speeds, incur higher shipping costs or lower prices, any of which could adversely impact our financial results. 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 online. 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, as well as our integrity and reputation, we could lose customers to our competition. The products we sell are brands of our vendors and our owned brands. If the perceived quality or value of the brands we sell declines in the perception 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 and market share, our revenues and profit margins may decline and we may be less profitable or potentially unprofitable.

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

For the 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, shipping disruptions, 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 in meeting our customers' needs for automotive products (particularly parts availability) in a timely manner could undermine our business strategy.

Deterioration of general macroeconomic conditions, including unemployment, inflation or deflation, consumer debt levels, and/or 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 results.

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 products 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 certain 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 macroeconomic 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 repairs for their vehicles, resulting in lower sales. 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.

Risks Related to Our Common Stock and Financial Condition

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 indentures governing our senior unsecured 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 our performance, deteriorating and uncertain credit markets or other factors that may or may not be within our control. The interest rates on our revolving credit facility are linked directly to our credit ratings and the interest rates on future debt we issue or incur likely would be affected by our credit ratings in effect at the time such debt is issued or incurred. Accordingly, any further negative impact on our credit ratings would likely result in higher interest rates and interest expense on any borrowings under our revolving credit facility and less favorable terms on our other operating and financing arrangements, including additional debt we may issue or incur in the future. 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.

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 or financial guidance that we provide to the investment community. Inability to accurately forecast our operational and financial performance could increase volatility in our stock. Failure to meet expectations set by us or our analysts, 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. Such litigation could result in substantial costs and a diversion of our attention and resources, which could have an adverse effect on our business. For example, a potential securities class action regarding past public disclosures and a related derivative shareholder litigation suit have been filed against us following a period of significant decline in our stock price (See [Item 3. Legal Proceedings](#) of this Annual Report on Form 10-K).

The amount and frequency of our share repurchases and dividend payments may fluctuate.

The amount, timing and execution of our share repurchase program may fluctuate based on our priorities for the use of cash for other purposes such as operational spending, capital spending, acquisitions or repayment or repurchase of debt. Changes in operational results, cash flows, tax laws and our share price could also impact our share repurchase program and other capital activities. Additionally, decisions to return capital to stockholders, including through our repurchase program or the issuance of dividends on our common stock, remain subject to determination of our Board of Directors that any such activity is in the best interests of our stockholders and is in compliance with all applicable laws and contractual obligations.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

We have processes in place for assessing, identifying and managing significant risks from potential cyber threats and vulnerabilities. To protect our information systems from cyber threats, we use a wide variety of tools, controls, technologies, methods, systems and other processes that are designed to prevent, detect, escalate, investigate, mitigate and/or remediate data loss, theft, misuse, unauthorized access or other security incidents or vulnerabilities affecting information systems and data.

Our Senior Vice President, Chief Information Security Officer ("CISO") and Senior Vice President, Internal Audit and Risk, who oversees our enterprise risk management ("ERM") framework, partner on definition and treatment of cyber risks. Cybersecurity is a component of our ERM framework and processes. We utilize a wide range of capabilities to help us identify and assess potential cyber threats and vulnerabilities, which feed into our development and regular updating of a risk treatment plan to help us manage our cybersecurity risk posture. We evaluate risks on an ongoing basis across several categories in terms of probability of the likelihood and magnitude of potential impact, using evaluation results to inform our areas of focus and prioritization.

We evaluate risks associated with use of third-party providers through a lifecycle-based approach, conducting risk-based due diligence before engagement, using contractual provisions to apportion risk, and for certain third-party providers, engaging in architectural review and validation at the beginning of engagement. We use third parties to assist with penetration testing, simulated attacks and survey and other threat intelligence reporting on third parties, as well as review and enhancement of associated response processes.

Our cyber risk treatment plan is reviewed in a bimonthly cadence with a cross-functional Cyber Steering Committee, the managerial governing body that regularly reviews our top cyber risks and receives reports on progress on key cyber initiatives. Our CISO leads the Cyber Steering Committee, which also includes individuals with experience identifying and managing enterprise risks, including our President and Chief Executive Officer, Executive Vice President, Chief Financial Officer, Executive Vice President, General Counsel and Corporate Secretary and Senior Vice President, Internal Audit, as well as individuals with technical expertise in information technology, data and cyber matters and/or experience in managing cyber incident responses, including our Executive Vice President, Chief Technology Officer, Senior Vice President, Information Technology Operations and Senior Vice President, Deputy General Counsel and Chief Compliance Officer. Our CISO has over 15 years of Chief Information Security Officer experience leading security strategy and execution for large companies. He holds a Certificate in Secure Software and Information Engineering from Pace University and is a Certified Information Systems Security Professional.

The Internal Audit function assesses cyber security risks and audits components of cyber security on an annual basis. At least every three years, we use an external party to evaluate the maturity of our program against the National Institute of Standards and Technology ("NIST") Cybersecurity Framework.

The Audit Committee of our Board of Directors is charged with reviewing, discussing with management and overseeing the Company's information technology and cybersecurity risk. Our CISO and Senior Vice President, Internal Audit and Risk report regularly to the Audit Committee, and at least annually, to the full Board of Directors on cybersecurity risks and management thereof.

Item 2. Properties.

The following table summarizes the location, ownership status and total square footage of space utilized for distribution centers, principal corporate office and retail stores and branches as of December 30, 2023:

		Square Footage <i>(in thousands)</i>	
		Leased	Owned
Distribution centers	50 locations in 31 U.S. states and four Canadian provinces	8,106	4,591
Executive office	Raleigh NC	245	—
Stores and branches	4,935 stores and branches in 48 U.S. states and two U.S. territories and 172 stores and branches in nine Canadian provinces	36,644	6,289

Item 3. Legal Proceedings.

Refer to discussion in [Note 13. Contingencies](#), of the Notes to the Consolidated Financial Statements included herein for information relating to 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 under the symbol "AAP."

As of March 5, 2024, there were 1,067 holders of record of our common stock, which does not include the number of beneficial owners whose shares were represented by security position listings.

The following table sets forth information with respect to repurchases of our common stock for the fourth quarter ended December 30, 2023:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value that May Yet Be Purchased Under the Programs (in thousands) (2)
October 8, 2023 to November 4, 2023	20	\$ 51.20	—	\$ 947,339
November 5, 2023 to December 2, 2023	5,340	\$ 52.49	—	\$ 947,339
December 3, 2023 to December 30, 2023	1	\$ 56.25	—	\$ 947,339
Total	<u>5,361</u>	<u>\$ 52.49</u>	<u>—</u>	

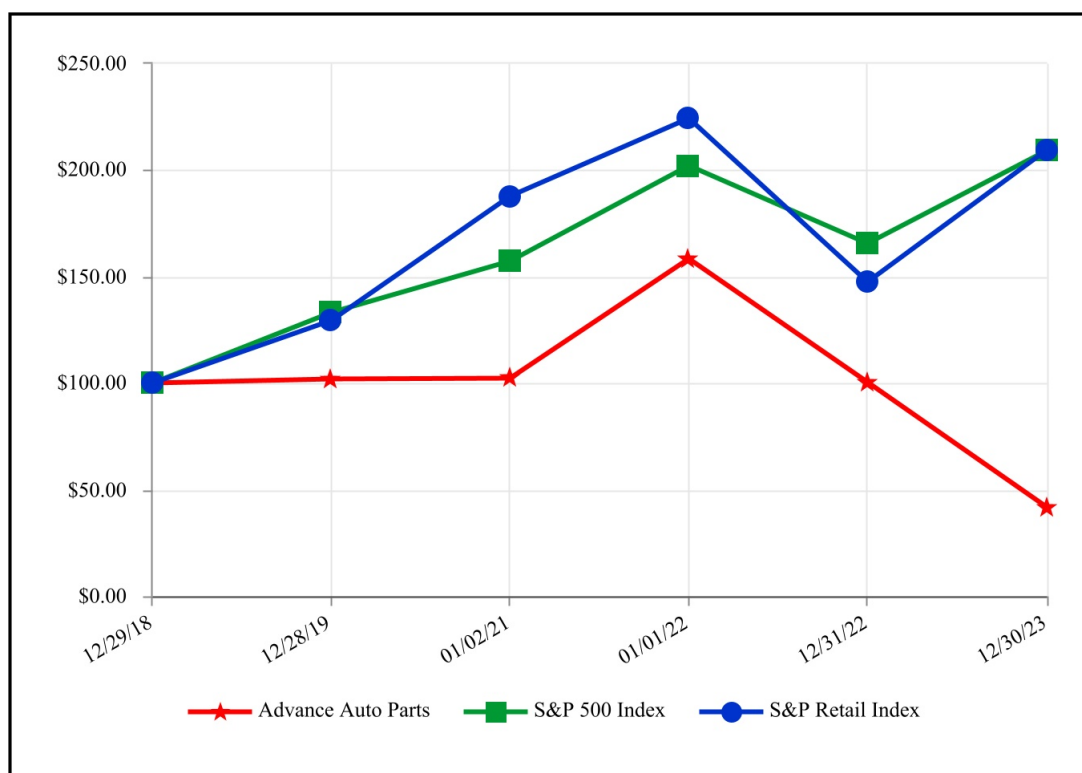
(1) The aggregate cost of repurchasing shares in connection with the net settlement of shares issued as a result of the vesting of restricted stock units was \$0.3 million, or an average price of \$52.49 per share, during the twelve weeks ended December 30, 2023.

(2) On February 8, 2022, our Board of Directors authorized an additional \$1 billion to the existing share repurchase program. This authorization is incremental to the \$1.7 billion that was previously authorized by our Board of Directors.

Stock Price Performance

The following graph shows a comparison of the cumulative total return on our common stock, the Standard & Poor's ("S&P") 500 Index and the S&P's Retail Index. The graph assumes that the value of an investment in our common stock was \$100.00 on December 29, 2018, 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 29, 2018	December 28, 2019	January 2, 2021	January 1, 2022	December 31, 2022	December 30, 2023
Advance Auto Parts	\$ 100.00	\$ 102.01	\$ 102.25	\$ 158.16	\$ 100.43	\$ 41.52
S&P 500 Index	\$ 100.00	\$ 132.97	\$ 157.02	\$ 202.09	\$ 165.49	\$ 209.00
S&P Retail Index	\$ 100.00	\$ 129.15	\$ 187.82	\$ 224.09	\$ 147.26	\$ 209.70

Item 6. [Reserved]

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 titled "[Part 1. Item 1A. Risk Factors](#)" elsewhere in this report. The discussion of our financial condition and changes in our results of operations, liquidity and capital resources for the fiscal year ended December 31, 2022 ("2022") compared with the fiscal year ended January 1, 2022 ("2021") has been omitted from this Form 10-K, but are included in "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" of our Form 10-K for 2022, filed with the Securities and Exchange Commission ("SEC") on February 28, 2023. Amounts are presented in thousands, except per share data, unless otherwise stated.

Management Overview

A high-level summary of our financial results and other highlights from 2023 includes:

- Net sales during 2023 were \$11.3 billion, an increase of 1.2% compared with 2022, driven by new store openings and favorable product mix, partially offset by a 0.3% decline in comparable store sales.
- Gross profit margin for 2023 was 40.1% of Net sales, a decrease of 414 basis points compared with 2022. This decrease was primarily due to higher product costs, inventory-related charges and elevated supply chain costs.
- Operating income for 2023 was \$114.4 million, a decrease of \$555.9 million from 2022. As a percentage of Net sales, operating income was 1.0%, a decrease of 500 basis points compared with 2022. The increase in Selling, general and administrative ("SG&A") costs was primarily driven by increased labor-related costs and occupancy expenses.
- Cash flow from operations was \$287.4 million during 2023, a decrease of 61.0% compared with 2022, primarily due to lower Net income.
- Diluted earnings per share ("Diluted EPS") was \$0.50 during 2023 compared with \$7.65 in 2022.

Refer to "[Results of Operations](#)" and "[Liquidity and Capital Resources](#)" for further details on our results.

Business and Risk Update

We have been executing various initiatives to improve the customer experience, expand margins and drive consistent execution for both professional and do-it-yourself ("DIY") customers, including:

- Continued refinement of a demand-based assortment, leveraging purchase and search history from our common catalog
- Advancement towards optimizing our footprint by market to drive share, repurpose our in-market store and asset base and streamline our distribution network
- Progress in the implementation of a more efficient end-to-end supply chain to deliver our broad assortment of inventory
- Continued negotiations with vendors on strategic sourcing and pricing to help mitigate inflationary pressures
- Rationalization of product assortment
- Investment in our frontline workforce
- Incremental investments in store and distribution center distribution

As announced in the third quarter of 2023, we initiated a comprehensive operational and strategic review of our business to help improve execution and position Advance for long-term success and increased shareholder value. We have identified and are pursuing cost reductions that we expect will generate at least \$150 million in savings on an annualized basis, of which, we intend to invest approximately \$50 million in employee compensation and training with a clear focus on improving the retention of our frontline team members. In addition, we recently launched an initiative to eliminate costs related to our indirect spend by an additional \$50 million on an annualized basis. We also announced the potential sales of our Worldpac business and the Canadian portion of our Carquest business. Our operational and strategic review progress is ongoing.

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. In addition to the [“Business and Risk Update”](#) section included within Management’s Discussion and Analysis of Financial Condition and Results of Operations, these factors include, but are not limited to:

- Inflationary pressures, including logistics and labor
- Global supply chain disruptions
- Rising fuel costs
- Miles driven
- Unemployment rates
- Consumer confidence and purchasing power
- Competition
- Changes in new car sales
- Vehicle manufacturer warranties
- Average age of vehicles in operation
- Economic and geopolitical uncertainty
- Deferral of elective automotive maintenance and improvements in new car quality
- Increased foreign currency exchange volatility

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						2023 vs.		2022 vs.	
	December 30, 2023		December 31, 2022		January 1, 2022		2022	Basis	2021	Basis
							\$ Change	Points	\$ Change	Points
Net sales	\$ 11,287.6	100.0 %	\$ 11,154.7	100.0 %	\$ 10,998.0	100.0 %	\$ 132.9	—	\$ 156.7	—
Cost of sales	6,764.1	59.9	6,222.5	55.8	6,074.0	55.2	541.6	414	148.5	55
Gross profit	4,523.5	40.1	4,932.2	44.2	4,924.0	44.8	(408.7)	(414)	8.2	(55)
SG&A	4,409.1	39.1	4,262.0	38.2	4,101.6	37.3	147.1	85	160.4	91
Operating income	114.4	1.0	670.2	6.0	822.4	7.5	(555.8)	(500)	(152.2)	(147)
Interest expense	(88.1)	(0.8)	(51.1)	(0.5)	(37.8)	(0.3)	(37.0)	(32)	(13.3)	(11)
Loss on debt extinguishment	—	—	(7.4)	(0.1)	—	—	7.4	7	(7.4)	(7)
Other income (expense), net	5.5	0.0	(7.4)	(0.1)	(2.1)	0.0	12.9	12	(5.3)	(5)
Provision for income taxes	2.1	—	140.0	1.3	185.9	1.7	(137.9)	(124)	(45.9)	(44)
Net income	\$ 29.7	0.3 %	\$ 464.3	4.16 %	\$ 596.6	5.42 %	\$ (434.6)	(390)	\$ (132.3)	(126)

Note 1: Table amounts may not foot due to rounding.

Net Sales

Net sales for 2023 were \$11.3 billion, an increase of \$132.9 million, or 1.2%, compared with 2022, and was primarily driven by new store openings and favorable product mix, partially offset by a decline in units sold. Category growth was led by brakes and batteries. Comparable store sales decreased 0.3% due to a decline in the DIY business.

We calculate comparable store sales based on the change in store or branch sales starting once a location has been open for 13 complete four-week periods (approximately one year) and by including e-commerce sales. Sales to independently-owned Carquest stores are excluded from our comparable store sales. Acquired stores are included in our comparable store sales once the stores have completed 13 complete accounting periods following the acquisition date. We include sales from relocated stores in comparable store sales from the original date of opening. Comparable sales is intended only as supplemental information and is not a substitute for Net sales presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Gross Profit

Gross profit in 2023 was \$4.52 billion, or 40.1% of Net sales, compared with \$4.93 billion, or 44.2% of Net sales in 2022, a decrease of 414 basis points. Gross profit as a percentage of Net sales was negatively impacted by higher product costs not fully covered by pricing actions of \$180.9 million, a change in estimate associated with inventory reserves and other inventory-related charges of \$143.5 million as well as elevated supply chain expenses. Gross margin decline was partially offset by favorable product mix.

Selling, General and Administrative Expenses

SG&A for 2023 was \$4.41 billion, or 39.1% of Net sales, compared with \$4.26 billion, or 38.2% of Net sales for 2022, an increase of 85 basis points. This increase as a percentage of Net sales was primarily driven by increased labor-related costs and occupancy expenses.

Interest Expense

Interest expense for 2023 was \$88.1 million, an increase of \$37.0 million compared with 2022. This increase was primarily due to interest incurred on higher borrowings against our revolver as well as issuances of senior unsecured notes in 2023. Refer to [Note 6. Long-term Debt and Fair Value of Financial Instruments](#) of the Notes to the Consolidated Financial Statements included herein for further details.

Provision for Income Taxes

Our Provision for income taxes for 2023 was \$2.1 million compared with \$140.0 million for 2022, a favorable change of \$137.9 million primarily due to a decrease in taxable income. Our effective tax rate was 6.6% for 2023 and 23.2% for 2022. In 2023, the rate decreased compared with prior year primarily due to a tax benefit resulting from the expiration of statute of limitations for certain tax years in multiple states as well as enhanced utilization of tax credits in the current year and a discrete charge related to share-based compensation.

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, funding of initiatives under our strategic business plan and other operational priorities, including payment of interest on our long-term debt. Historically, we have also used available funds to repay borrowings under our credit facility, to periodically repurchase shares of our common stock under our share repurchase program, to pay our quarterly cash dividend and for acquisitions; however, depending on the priorities of our business and in consideration of ongoing uncertainties related to general global macroeconomic conditions, our future uses of cash may differ, including with respect to the weight we place on the preservation of cash and liquidity, degree of investment in our business and other capital allocation factors.

Typically, we have funded our cash requirements primarily through cash generated from operations, supplemented by borrowings under our credit facilities and notes offerings as needed. We believe funds generated from our expected results of operations, available cash and cash equivalents and available borrowings under our credit facility will be sufficient to fund our obligations for the next year. We also believe such funds, cash and available borrowings, together with our ability to generate cash through credit facilities and notes offerings as needed, will be sufficient to fund our obligations long-term. Cash requirements for obligations next year and beyond are discussed in the "Contractual and Off Balance Sheet Obligations" section below.

Share Repurchases

In August 2019, our Board of Directors approved a share repurchase program. Under the program, we may periodically repurchase shares of our common stock at market prices through open market purchases effected through a broker dealer and in privately negotiated transactions. The Board of Directors may increase or otherwise modify, renew, suspend or terminate the share repurchase program without prior notice. On February 8, 2022, our Board of Directors authorized an additional \$1.0 billion toward our share repurchase program. Previously, in April 2021 and November 2019, our Board of Directors authorized \$1.0 billion and \$700.0 million for our share repurchase program.

During 2023, we did not repurchase any shares of our common stock in connection with our share repurchase program. During 2022, we repurchased 3.0 million shares of our common stock at an aggregate cost of \$598.2 million, or an average price of \$201.88 per share, under our share repurchase program. Given macroeconomic uncertainties and our focus on strengthening our balance sheet, we expect to continue our pause on share repurchases in 2024, but may resume share repurchases in the future.

We had \$947.3 million remaining under our share repurchase program as of December 30, 2023. Refer to ["Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities"](#) for further details on our share repurchase program.

Capital Expenditures

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

Our capital expenditures were \$242.4 million in 2023, a decrease of \$181.7 million from 2022, related to the decrease of spend in information technology and supply chain as well as fewer store openings from 2022 to 2023.

Our future capital requirements will depend in large part on the timing or number of the investments we make in information technology and supply chain network initiatives and existing stores and new store development (leased and owned locations) within a given year. In 2024, we anticipate that our capital expenditures related to such investments will range from \$200 million to \$250 million but may vary with business conditions.

Analysis of Cash Flows

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

	Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Cash flows provided by operating activities	\$ 287,375	\$ 736,571	\$ 1,107,022
Cash flows used in investing activities	(235,489)	(424,448)	(287,314)
Cash flows provided by (used in) financing activities	189,267	(620,704)	(1,064,112)
Effect of exchange rate changes on cash	(8,487)	(8,664)	5,474
Net increase (decrease) in cash and cash equivalents	\$ 232,666	\$ (317,245)	\$ (238,930)

Operating Activities

In 2023, Net cash provided by operating activities decreased \$449.2 million to \$287.4 million. The net decrease in cash flows provided by operating activities compared with the prior year was primarily driven by lower Net income and higher accounts receivable. Refer to [“Results of Operations”](#) for further details on our results.

Investing Activities

In 2023, Net cash used in investing activities decreased \$189.0 million to \$235.5 million compared with 2022. This decrease was attributable to reduced purchases of property and equipment due to the completion of back office integration in the prior year, partially offset by investments in new store openings.

Financing Activities

In 2023, Net cash provided by financing activities increased by \$810.0 million to \$189.3 million compared with 2022. The net increase in cash provided by financing activities was attributable to a reduction in share repurchases of our common stock of \$604.0 million and the incremental net proceeds of \$251 million from the issuances of senior unsecured notes in 2023 compared with 2022.

Our Board of Directors has declared a quarterly cash dividend since 2006. Any payments of dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, cash flows, capital requirements and other factors deemed relevant by our Board of Directors.

Long-Term Debt

On March 9, 2023, we issued our 5.90% senior unsecured notes due 2026 (the “2026 Notes”) at 99.94% of the principal amount of \$300.0 million and our 5.95% senior unsecured notes due 2028 (the “2028 Notes”) at 99.92% of the principal amount of \$300.0 million. The 2026 Notes and 2028 Notes bear interest at a rate of 5.90% and 5.95%, respectively, and are payable semi-annually in arrears in March and September. Proceeds from our 2026 and 2028 Notes were utilized to make repayments on our revolving facility and supplement operational and capital expenditures.

For additional information on transactions entered into relating to long-term debt during the fifty-two weeks ended December 30, 2023, refer to [Note 6. Long-term Debt and Fair Value of Financial Instruments](#) of the Notes to the Consolidated Financial Statements included herein.

As of March 12, 2024, we had a credit rating from S&P of BB+ and from Moody's Investor Service of Baa3. The current outlooks by S&P and Moody's were stable and negative, respectively. The current pricing grid used to determine our borrowing rate under our revolving credit facility is based on our credit ratings. If our credit ratings further decline, it would negatively impact our interest rate, and our access to additional financing on favorable terms may be limited. In addition, further decline in our credit ratings would likely reduce the attractiveness of our supplier finance programs, whereby our suppliers are provided financing arrangements based on our credit rating. This could result in significantly lower supplier or bank participation in those programs. Following the downgrade in our credit rating from S&P, certain banks reduced participation in our programs. This capacity has been substantially replaced with new participating banks as well as existing participating banks providing increased capacity. Lower participation in our supplier payment programs would shorten our payable terms, resulting in an increase in our working capital requirements, and may have a material negative impact on our liquidity or capital resources.

With respect to all senior unsecured notes for which Advance Auto Parts, Inc. (“Issuer”) is an issuer or provides a full and unconditional guarantee, Advance Stores, a wholly-owned subsidiary of the Issuer, serves as the guarantor (“Guarantor Subsidiary”). The subsidiary guarantees related to our senior unsecured notes are full and unconditional and joint and several, and there are no restrictions on the ability of the Issuer to obtain funds from its Guarantor Subsidiary. Our captive insurance subsidiary, an insignificant wholly-owned subsidiary of the Issuer, does not serve as guarantor of our senior unsecured notes.

Contractual and Off Balance Sheet Obligations

We enter into operating leases for certain store locations, distribution centers, office spaces, 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. As of December 30, 2023, our operating lease obligations were \$2.66 billion. As of December 30, 2023, our long-term debt, consisting of senior unsecured notes with varying maturities through 2032, was \$1.8 billion. Future interest payable related to long-term debt was \$380.0 million as of December 30, 2023. As part of our normal operations, we enter into purchase commitments primarily for the purchase of 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. As of December 30, 2023, our purchase commitments were \$133.0 million.

On February 27, 2023, we entered into Amendment No. 1 ("Amendment No. 1") to the Credit Agreement, dated November 9, 2021, with Advance Auto Parts, Inc., as Borrower, Advance Stores Company, Incorporated, as a Guarantor, the lenders party thereto, and Bank of America, N.A., as administrative agent ("2021 Credit Agreement"). Amendment No. 1 extends the maturity date of the 2021 Credit Agreement by one year from November 9, 2026, to November 9, 2027. Amendment No. 1 also replaces an adjusted LIBOR benchmark rate with a Term Secured Overnight Financing Rate benchmark rate, as adjusted by an increase of ten basis points, plus the applicable margin under the 2021 Credit Agreement. Amendment No. 1 made no other material changes to the terms of the 2021 Credit Agreement. On August 21, 2023, we entered into Amendment No. 2 ("Amendment No. 2") to the 2021 Credit Agreement in order to amend certain financial covenants related to the Consolidated Coverage Ratio (as defined therein), and on November 20, 2023, we entered into Amendment No. 3 ("Amendment No. 3") to the 2021 Credit Agreement in order to further amend financial covenants related to the Consolidated Coverage Ratio. Pursuant to Amendment No. 2 and Amendment No. 3, we will not permit the Consolidated Coverage Ratio to be less than (a) 1.75 to 1.00 for each period of four fiscal quarters ending on October 7, 2023 through and including the period of four fiscal quarters ending on October 5, 2024, (b) 2.00 to 1.00 for each period of four fiscal quarters ending on December 28, 2024 through and including the period of four fiscal quarters ending on October 4, 2025 and (c) 2.25 to 1.00 for each period of four fiscal quarters ending after October 4, 2025. Amendment No. 2. and Amendment No. 3 made no other material changes to the terms of the 2021 Credit Agreement. On February 26, 2024, we entered into Amendment No. 4 ("Amendment No. 4") to the Credit Agreement dated November 9, 2021, with Advance Auto Parts, Inc., as Borrower, Advance Stores Company, Incorporated, as a Guarantor, the lenders party thereto, and Bank of America, N.A., as administrative agent to enable certain addbacks to the definition of Consolidated EBITDA contained therein for specific write-downs of inventory and vendor receivables. Amendment No. 4 also updated certain limitations on future incurrences of other indebtedness and liens, replacing the cap thereon of 10% of consolidated net tangible assets with \$400 million, and eliminated the \$250 million basket for accounts receivable securitization transactions. Amendment No. 4 made no other material changes to the terms of the 2021 Credit Agreement.

In addition to our Consolidated Coverage Ratio requirement, we are required to maintain a maximum leverage ratio of 3.75 to 1.00. Our compliance with these covenants will depend upon achieving our financial targets including improvements in operating income. As of December 30, 2023, giving consideration to the amendments to our 2021 Credit Agreement, we were in compliance with the financial covenants required thereby. We currently expect to be in compliance with these financial covenants for the next 12 months. However, risk of noncompliance increases if our financial performance worsens or we are required to increase borrowings to fund operations. If we are not in compliance with the financial covenants required by our 2021 Credit Agreement, and cannot timely secure an amendment or waiver thereof, we would be in default of our 2021 Credit Agreement and our outstanding senior unsecured notes, which would have a material adverse impact on our financial condition.

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.

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. Advertising allowances received 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. Volume rebates and vendor promotional allowances that do not meet the requirements for offsetting in SG&A and that are earned based on inventory purchases are initially recorded as a reduction to inventory. These deferred amounts are recorded 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. Periodic assessments of the accruals are performed to determine the appropriateness of the estimate and are adjusted accordingly.

Amounts received or receivable from vendors that are not yet earned are reflected initially as a reduction to inventory, which subsequently is recorded to Cost of sales. Our 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.

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, 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 Other long-term liabilities.

While we do not expect the amounts ultimately paid to differ significantly from our estimates, our self-insurance reserves and corresponding Cost of sales and 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 30, 2023 would result in a change in expense of approximately \$15.0 million for 2023.

Excess and Obsolete Inventory Reserves

In connection with a strategic and operational review of the business, we reviewed the rationalization of product assortment and planned decisive actions related to inventory. As a result, we made a change in our estimate of excess inventory reserves resulting in an increase to Cost of sales of approximately \$116 million. Our excess and obsolete inventory reserve assessment includes analyzing our inventory at the SKU level by assessing each SKU quantity based on years on hand, the stage within the product lifecycle the SKU is assigned and sales history. From this data analysis, our excess and obsolete inventory is identified, analyzed and compared against our reserve. Additionally, from time to time, specific SKUs may be identified as excess and/or obsolete for which a reserve will be recognized.

We classify each product into a product lifecycle category: introduction, expansion, saturation, reduction and disposition. This assessment is routinely performed and includes, but is not limited to, the analysis of anticipated, historical and actual demand; and changes in customer preferences. SKU-level classifications are updated as warranted.

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 Term Secured Overnight Financing Rate ("SOFR") plus a margin, or an alternate base rate plus a margin. As of December 30, 2023, we had no borrowings outstanding under our revolving credit facility. As of December 31, 2022, we had \$185.0 million of 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 2023 and 2022, foreign currency transactions did not materially impact Net income.

Item 8. Financial Statements and Supplementary Data.

This information is included in "[Item 15. Exhibits, Financial Statement Schedules](#)" of this annual report and is incorporated herein by reference.

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 management's controls and other procedures that are designed to ensure that information required to be disclosed by management in the Company's reports that are filed or submitted 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 management, including the Company's 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

Management evaluated, with the participation of the Company's principal executive officer and principal financial officer, the effectiveness of its disclosure controls and procedures as of December 30, 2023. Based on this evaluation, the Company's principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective to accomplish their objectives at the reasonable assurance level due to the material weakness described below.

Management's Report on Internal Control over Financial Reporting

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. Management's 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. Management's 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 the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that its receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide "reasonable assurance" regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

As of December 30, 2023, management, including the Company's principal executive officer and principal financial officer, assessed the effectiveness of its 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 evaluation, the Company's principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this report, the Company's internal control over financial reporting was not effective to accomplish their objectives at the reasonable assurance level solely due to the material weakness described below.

As previously disclosed in our Form 10-Q for the period ended April 22, 2023 and continuing to exist as of December 30, 2023, management identified a material weakness in our internal control over financial reporting that existed due to turnover of key accounting positions. The Company was not able to attract, develop and retain sufficient resources to fulfill internal control and accounting responsibilities.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Management has corrected the relevant prior periods of its Consolidated Financial Statements and related footnotes in this Form 10-K for the immaterial errors identified for comparative purposes. Further, management believes that the Consolidated Financial Statements and related financial information included present fairly, in all material respects, our balance sheets, statements of operations, comprehensive income and cash flows as of and for the periods presented.

Attestation Report of Registered Public Accounting Firm

Management's internal control over financial reporting as of December 30, 2023 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, who also audited the Company's consolidated financial statements for the year ended December 30, 2023, as stated in their report included herein, which expresses an adverse opinion on the effectiveness of its internal control over financial reporting as of December 30, 2023.

Remediation Efforts to Address the Previously Disclosed Material Weakness

The Company has devoted, and will continue to devote, significant time and resources to complete its remediation of the material weakness. The following components of the remediation plan, among others, have been executed:

- Backfilled open roles and hired approximately 30 experienced personnel (both permanent employees and contract labor) with the requisite accounting and internal controls knowledge and experience to sufficiently complement the existing global controllership organization;
- Completed the review of the organizational structure of the global controllership function by a third-party consultant and implemented recommended changes;
- Assessed our methodologies, policies and procedures to ensure adequate design and effectiveness of processes supporting internal control over financial reporting;
- Added redundant and compensating internal controls to enhance our internal control structure and commenced testing of certain controls during the third quarter and completed full testing in the fourth quarter;
- Assessed the specific training needs for newly hired and existing personnel and developed and delivered training programs designed to uphold our internal controls standards;
- Following the departure of the Company's Chief Financial Officer during the third fiscal quarter of 2023, hired a new Chief Financial Officer who began employment with the Company on November 27, 2023; and

- Following the departure of the Company's Chief Accounting Officer during the fourth fiscal quarter of 2023, hired a new Chief Accounting Officer who began employment with the Company on January 9, 2024.

The Company considers the remediation of the material weakness to be a top priority and has made significant progress in executing the remediation plan. The material weakness will not be considered fully remediated until the remediation actions are tested and deemed to have been operating effectively for a sufficient period of time.

Changes in Internal Control Over Financial Reporting

Except for the changes described above, there has been no change in the Company's internal control over financial reporting during the fourth quarter ended December 30, 2023 that has materially affected or is reasonably likely to materially affect its internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Item 9B. Other Information.

During the twelve weeks ended December 30, 2023, no Rule 10b5-1 or non-Rule 10b5-1 trading arrangements were adopted or terminated by the Company's officers or directors as each term is defined in Item 408 of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

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 and subsections entitled “Proposal No. 1 - Election of Directors,” “Corporate Governance,” “Additional Information Regarding Executive Compensation - Information Concerning our Executive Officers,” “Audit Committee Report,” and “Additional Information Regarding Executive Compensation - Delinquent Section 16(a) Reports,” “Code of Ethics and Business Conduct” and “Code of Ethics for Finance Professionals” in our proxy statement for the 2024 annual meeting of stockholders to be filed with the SEC within 120 days after the close of our fiscal year ended December 30, 2023 (the “2024 Proxy Statement”), which is incorporated herein by reference.

Item 11. Executive Compensation.

See the information set forth in the sections entitled “Compensation Committee Report,” “Compensation Discussion and Analysis,” “Compensation Program Risk Assessment,” “Additional Information Regarding Executive Compensation” and “Director Compensation” in the 2024 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 subsections entitled “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” in the 2024 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 subsections entitled “Corporate Governance - Related Party Transactions” and “Board Independence and Structure” in the 2024 Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services .

See the information set forth in the subsection entitled “2023 and 2022 Audit Fees” in the 2024 Proxy Statement, which is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(1) Financial Statements	
Audited Consolidated Financial Statements of Advance Auto Parts, Inc. and Subsidiaries for the years ended December 30, 2023, December 31, 2022 and January 1, 2022:	
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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 30, 2023 and December 31, 2022, 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 30, 2023, 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 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023, 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 30, 2023, 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 March 12, 2024, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Vendor Incentives — Refer to Note 2 to the Consolidated Financial Statements

Critical Audit Matter Description

The Company receives incentives in the form of reductions in amounts owed to and/or payments due from vendors related to volume rebates and other promotions. Volume rebates and vendor promotional allowances are earned based on inventory purchases and initially recorded as a reduction to inventory, except for allowances provided as reimbursement of specific, incremental and identifiable costs incurred to promote a vendor's products that are offset in selling, general and administrative expenses. The deferred amounts are recorded as a reduction in cost of sales as the inventory is sold. Total deferred vendor incentives included as a reduction of inventories were \$ 67.9 million as of December 30, 2023.

While many of these incentives are under long-term agreements in excess of one year, others are negotiated on an annual basis or shorter. Accordingly, auditing vendor incentives was challenging due to the extent of audit effort required to evaluate whether the vendor incentives were recorded in accordance with the terms of the vendor agreements.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to whether the vendor incentives were recorded in accordance with the terms of the vendor agreements included the following, among others:

- We tested the effectiveness of controls over the process that ensures that all vendor agreements are communicated to accounting.
- We tested the effectiveness of controls over the recording of vendor incentives as a reduction in inventories, and subsequently as a reduction in cost of sales as the related inventory was sold.
- We selected a sample of vendor incentives from the income recognized as a reduction to cost of sales during the year and from incentive income that was deferred at year-end, and recalculated, using the terms of the vendor agreement, both the amount recorded as deferred vendor incentives as a reduction in inventories and the amount recognized in earnings as a reduction in cost of sales.
- We selected a sample of vendors from the Company's inventory purchases made during the year and confirmed directly with the vendor that the agreement obtained from the Company and used in the determination of recording vendor incentives as a reduction in cost of sales was the most recent for the applicable period between the parties.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
March 12, 2024

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 30, 2023, 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, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 30, 2023, 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 30, 2023, of the Company and our report dated March 12, 2024, 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 Controls 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.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in internal control over financial reporting due to the inability to attract, develop and retain sufficient resources to fulfill internal control and accounting responsibilities. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of

the consolidated financial statements and financial statement schedule as of and for the year ended December 30, 2023, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
March 12, 2024

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

	December 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 503,471	\$ 270,805
Receivables, net	800,141	684,048
Inventories, net	4,857,702	4,896,269
Other current assets	215,707	163,695
Total current assets	6,377,021	6,014,817
Property and equipment, net of accumulated depreciation of \$ 2,857,726 and \$ 2,590,382	1,648,546	1,690,139
Operating lease right-of-use assets	2,578,776	2,607,690
Goodwill	991,743	990,471
Other intangible assets, net	593,341	620,901
Other assets	86,899	62,429
Total assets	\$ 12,276,326	\$ 11,986,447
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,177,974	\$ 4,178,907
Accrued expenses	671,237	629,464
Current portion of long-term debt	—	185,000
Other current liabilities	458,194	427,480
Total current liabilities	5,307,405	5,420,851
Long-term debt	1,786,361	1,188,283
Non-current operating lease liabilities	2,215,766	2,278,318
Deferred income taxes	362,542	410,749
Other long-term liabilities	84,524	89,054
Total liabilities	9,756,598	9,387,255
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; 77,349 shares issued and 59,512 outstanding at December 30, 2023 76,989 shares issued and 59,264 outstanding at December 31, 2022	8	8
Additional paid-in capital	946,099	897,560
Treasury stock, at cost, 17,837 and 17,724 shares	(2,933,286)	(2,918,768)
Accumulated other comprehensive loss	(52,232)	(44,695)
Retained earnings	4,559,139	4,665,087
Total stockholders' equity	2,519,728	2,599,192
Total liabilities and stockholders' equity	\$ 12,276,326	\$ 11,986,447

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 30, 2023	December 31, 2022	January 1, 2022
Net sales	\$ 11,287,607	\$ 11,154,722	\$ 10,997,989
Cost of sales	6,764,105	6,222,487	6,074,039
Gross profit	4,523,502	4,932,235	4,923,950
Selling, general and administrative expenses	4,409,125	4,261,982	4,101,585
Operating income	114,377	670,253	822,365
Other, net:			
Interest expense	(88,055)	(51,060)	(37,791)
Loss on early redemptions of senior unsecured notes	—	(7,408)	—
Other income (expense), net	5,525	(7,423)	(2,081)
Total other, net	(82,530)	(65,891)	(39,872)
Income before provision for income taxes	31,847	604,362	782,493
Provision for income taxes	2,112	139,960	185,878
Net income	<u>\$ 29,735</u>	<u>\$ 464,402</u>	<u>\$ 596,615</u>
Basic earnings per common share	\$ 0.50	\$ 7.70	\$ 9.32
Weighted average common shares outstanding	59,432	60,351	64,028
Diluted earnings per common share	\$ 0.50	\$ 7.65	\$ 9.25
Weighted average common shares outstanding	59,608	60,717	64,509

Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net income	\$ 29,735	\$ 464,402	\$ 596,615
Other comprehensive loss:			
Changes in net unrecognized other postretirement benefit costs, net of tax of \$(29), \$ 66 and \$ 93	82	(186)	(264)
Currency translation adjustments	(7,619)	(17,450)	(59)
Total other comprehensive loss	(7,537)	(17,636)	(323)
Comprehensive income	<u>\$ 22,198</u>	<u>\$ 446,766</u>	<u>\$ 596,292</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				Accumulated			Total
	Shares	Amount	Additional Paid-in Capital	Treasury Stock, at cost	Other Comprehensive Loss	Retained Earnings	Stockholders' Equity	
Balance, January 2, 2021	66,361	\$ 8	\$ 783,709	\$ (1,394,080)	\$ (26,736)	\$ 4,174,060	\$ 3,536,961	
Net income	—	—	—	—	—	596,615	596,615	
Total other comprehensive income	—	—	—	—	(323)	—	(323)	
Restricted stock units and deferred stock units vested	331	—	—	—	—	—	—	
Share-based compensation	—	—	63,067	—	—	—	63,067	
Stock issued under employee stock purchase plan	23	—	3,074	—	—	—	3,074	
Repurchases of common stock	(4,710)	—	—	(906,208)	—	—	(906,208)	
Cash dividends declared (\$ 3.25 per common share)	—	—	—	—	—	(206,951)	(206,951)	
Other	4	—	(4,443)	—	—	—	(4,443)	
Balance, January 1, 2022	62,009	8	845,407	(2,300,288)	(27,059)	4,563,724	3,081,792	
Net income	—	—	—	—	—	464,402	464,402	
Total other comprehensive income	—	—	—	—	(17,636)	—	(17,636)	
Issuance of shares upon the exercise of stock options	3	—	535	—	—	—	535	
Restricted stock units and deferred stock units vested	297	—	—	—	—	—	—	
Share-based compensation	—	—	50,978	—	—	—	50,978	
Stock issued under employee stock purchase plan	25	—	4,140	—	—	—	4,140	
Repurchases of common stock	(3,070)	—	—	(618,480)	—	—	(618,480)	
Cash dividends declared (\$ 6.00 per common share)	—	—	—	—	—	(363,039)	(363,039)	
Other	—	—	(3,500)	—	—	—	(3,500)	
Balance, December 31, 2022	59,264	8	897,560	(2,918,768)	(44,695)	4,665,087	2,599,192	
Net income	—	—	—	—	—	29,735	29,735	
Total other comprehensive loss	—	—	—	—	(7,537)	—	(7,537)	
Restricted stock units and deferred stock units vested	308	—	—	—	—	—	—	
Share-based compensation	—	—	45,647	—	—	—	45,647	
Stock issued under employee stock purchase plan	53	—	3,892	—	—	—	3,892	
Repurchases of common stock	(113)	—	—	(14,518)	—	—	(14,518)	
Cash dividends declared (\$ 2.25 per common share)	—	—	—	—	—	(135,683)	(135,683)	
Other	—	—	(1,000)	—	—	—	(1,000)	
Balance, December 30, 2023	59,512	\$ 8	\$ 946,099	\$ (2,933,286)	\$ (52,232)	\$ 4,559,139	\$ 2,519,728	

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 30, 2023	December 31, 2022	January 1, 2022
Cash flows from operating activities:			
Net income	\$ 29,735	\$ 464,402	\$ 596,615
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	306,454	283,800	259,933
Share-based compensation	45,647	50,978	63,067
Loss and impairment of long-lived assets	857	3,581	8,949
Loss on early redemption of senior unsecured notes	—	7,408	—
Provision for deferred income taxes	(47,782)	16,528	58,786
Other, net	3,267	2,587	(7,985)
Net change in:			
Receivables, net	(114,665)	67,147	(7,456)
Inventories	44,821	(229,643)	(124,139)
Accounts payable	(4,645)	227,774	291,042
Accrued expenses	115,673	(167,723)	102,345
Other assets and liabilities, net	(91,987)	9,732	(134,135)
Net cash provided by operating activities	287,375	736,571	1,107,022
Cash flows from investing activities:			
Purchases of property and equipment	(242,411)	(424,061)	(289,639)
Purchase of intangible asset	—	(1,900)	—
Proceeds from sales of property and equipment	6,922	1,513	2,325
Net cash used in investing activities	(235,489)	(424,448)	(287,314)
Cash flows from financing activities:			
Borrowings under credit facilities	4,805,000	2,035,000	—
Payments on credit facilities	(4,990,000)	(1,850,000)	—
Proceeds from issuance of senior unsecured notes, net	599,571	348,618	—
Payments on senior unsecured notes	—	(201,081)	—
Dividends paid	(209,293)	(336,230)	(160,925)
Repurchases of common stock	(14,518)	(618,480)	(906,208)
Other, net	(1,493)	1,469	3,021
Net cash provided by (used in) financing activities	189,267	(620,704)	(1,064,112)
Effect of exchange rate changes on cash	(8,487)	(8,664)	5,474
Net increase (decrease) in cash and cash equivalents	232,666	(317,245)	(238,930)
Cash and cash equivalents , beginning of period	270,805	588,050	826,980
Cash and cash equivalents , end of period	\$ 503,471	\$ 270,805	\$ 588,050
Supplemental cash flow information:			
Interest paid	\$ 73,844	\$ 46,159	\$ 36,372
Income tax payments	\$ 98,792	\$ 94,605	\$ 177,317
Non-cash transactions:			
Accrued purchases of property and equipment	\$ 5,287	\$ 8,927	\$ 14,369

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

Advance Auto Parts, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(Amounts presented in thousands, except per share data, unless otherwise stated)

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 ("professional") and "do-it-yourself" ("DIY") customers. The accompanying consolidated financial statements have been prepared by us and include the accounts of Advance Auto Parts, Inc., its wholly-owned subsidiaries, Advance Stores Company, Incorporated ("Advance Stores") and Neuse River Insurance Company, Inc., and their subsidiaries (collectively referred to as "Advance," "we," "us" or "our").

As of December 30, 2023, we operated a total of 4,786 stores and 321 branches primarily within the United States, with additional locations in Canada, Puerto Rico and the U.S. Virgin Islands. In addition, as of December 30, 2023, we served 1,245 independently owned Carquest branded stores across the same geographic locations served by our stores and branches in addition to Mexico and various Caribbean islands. Our stores operate primarily under the trade names "Advance Auto Parts" and "Carquest," and our branches operate under the "Worldpac" trade names.

Accounting Period

Our fiscal year ends on the Saturday closest to December 31st. All references herein for the years 2023, 2022 and 2021 represent the fiscal years ended December 30, 2023, December 31, 2022 and January 1, 2022, respectively, and consisted of fifty-two weeks.

Basis of Presentation

The consolidated financial statements include the accounts of Advance 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.

Revision of Previously Issued Financial Statements for Correction of Immaterial Errors

During the forty weeks ended October 7, 2023, we identified errors impacting Cost of sales by \$10.2 million and Selling, general and administrative ("SG&A") expenses by \$17.3 million. These charges were incurred in prior periods but not recorded and primarily related to product returns and vendor credits. During the twelve weeks ended December 30, 2023, we identified additional errors impacting Cost of sales, SG&A expenses and Other income (expense), net, of \$52.7 million, \$19.3 million and \$1.7 million incurred in prior years but not previously recognized. These charges primarily related to product costs and vendor credits. We assessed the materiality of the errors, including the presentation on prior period consolidated financial statements, on a qualitative and quantitative basis in accordance with SEC Staff Accounting Bulletin No. 99, *Materiality*, codified in Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*. We concluded that these errors and the related impacts did not result in a material misstatement of our previously issued consolidated financial statements as of and for the years ended December 31, 2022 and January 1, 2022 and our previously issued unaudited condensed consolidated interim financial statements as of and for the sixteen weeks ended April 22, 2023; the twelve and twenty-eight weeks ended July 15, 2023; and the twelve and forty weeks ended October 7, 2023. Correcting the cumulative effect of these errors in the fifty-two weeks ended December 30, 2023 would have had a significant effect on the results of operations for such periods.

We have corrected the relevant prior periods of our consolidated financial statements and related footnotes for these and other immaterial errors for comparative purposes and will also correct previously reported financial information for such immaterial errors in future filings, as applicable. A summary of the corrections to the impacted financial statement line items from our previously issued financial statements are presented in [Note 18. Immaterial Misstatement of Prior Period Financial Statements](#).

Advance Auto Parts, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(Amounts presented in thousands, except per share data, unless otherwise stated)

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and highly-liquid instruments with original maturities of three months or less. Additionally, credit card and debit card receivables from banks, which generally settle in less than four business days, are included in cash equivalents.

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 2023 and prior years. We regularly review inventory quantities on-hand, consider whether we may have excess or obsolete inventory based on our current approach for managing slower moving inventory and adjust the carrying value as necessary. In 2023, we performed a strategic and operational review of the business, which included the rationalization of product assortment and planned decisive actions. As a result, we made a change in our estimate of excess inventory reserves resulting in a \$ 116.0 million charge to cost of sales.

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 or more frequent basis. 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 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 volume rebates and allowances are earned based on inventory purchases. Total deferred vendor incentives recorded as a reduction of Inventories were \$ 67.9 million and \$ 77.5 million as of December 30, 2023 and December 31, 2022.

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.

Costs incurred with the acquisition or development of software for internal use are capitalized and amortized over the expected useful life of the software, generally five years. Subsequent additions, modifications or upgrades are capitalized to the extent it enhances the software's functionality. Capitalized software is classified in the Construction in progress category, but once placed into service is removed from Construction in progress and classified within the Furniture, fixtures and equipment category and is depreciated on the straight-line method over three to ten years .

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 Other Indefinite-Lived Intangible Assets

We perform our evaluation for the impairment of goodwill and other 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. Our evaluation of goodwill and other indefinite-lived intangibles may be a Step-0 analysis, which consists of a qualitative assessment, or a Step-1 analysis, which includes a quantitative assessment. In a Step-0 analysis, 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 a quantitative goodwill impairment test. In the quantitative goodwill impairment test, we compare the carrying value of a reporting unit to its fair value. In performing a Step-1 analysis, we have historically used an income approach which requires many assumptions including forecast, discount rate, long-term growth rate, among other items. We have also utilized the market approach which derives metrics from comparable publicly-traded companies. We have generally engaged a third-party valuation firm to assist in the fair value assessment of goodwill. If the fair value of the reporting unit is lower than its carrying amount, goodwill is written down for the amount by which the carrying amount exceeds the reporting unit's fair value.

Our other indefinite-lived intangible assets are tested for impairment at the asset group level. Other indefinite-lived intangible assets 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 have three operating segments, defined as "Advance Auto Parts/Carquest U.S.," "Carquest Canada" and "Worldpac". As each operating segment represents a reporting unit, goodwill is assigned to each reporting unit. See [Note 4. Goodwill and Intangibles](#) for additional information.

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 our team members, while maintaining stop-loss coverage with third-party insurers to limit our 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 portion of self-insurance reserves in Accrued expenses and the long-term portion of self insurance reserves in Other long-term liabilities in the accompanying Consolidated Balance Sheets.

Leases

We lease certain store locations, distribution centers, office spaces, equipment and vehicles. We recognize lease expense on a straight-line basis over the initial term of the lease unless external economic factors exist such that renewals are reasonably certain. In those instances, the renewal period would be included in the lease term to determine the period in which to recognize the lease expense. Most leases require us to pay non-lease components, such as taxes, maintenance, insurance and other certain costs applicable to the leased asset. For leases related to our store locations, distribution centers, office spaces and vehicles, we account for lease and non-lease components as a single amount.

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 valuation inputs.

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

Accounting Standards Codification 606, *Revenue From Contracts With Customers (Topic 606)* ("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.

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 one 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. 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.

Some of our products include a core component, which represents a recyclable piece of the auto part. If a customer purchases an auto part that includes a core component, the customer is charged for the core unless a used core is returned at the time of sale. Customers that return a core subsequent to the sale date will be refunded.

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

	Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Percentage of Sales, by Product Group			
Parts and Batteries	65 %	66 %	67 %
Accessories and Chemicals	19	20	20
Engine Maintenance	15	13	12
Other	1	1	1
Total	100 %	100 %	100 %

Receivables, net, consists primarily of receivables from professional customers and is stated at net realizable value. We grant credit to certain professional customers who meet our pre-established credit requirements. We regularly review accounts receivable balances and maintain allowances for credit losses estimated 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 inventory-related reserves 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 benefits costs; and transportation expenses associated with moving merchandise inventories from stores and branches to customer locations.

Preopening Expenses

Preopening expenses, which consist primarily of payroll and occupancy costs related to the opening of new stores, are expensed as incurred as a component of SG&A in the accompanying Consolidated Statements of Operations.

Advertising Costs

We expense advertising costs as incurred. Advertising expense, net of qualifying vendor promotional funds, was \$ 151.8 million, \$ 164.0 million and \$ 178.0 million in 2023, 2022 and 2021.

Foreign Currency Translation

The assets and liabilities of our foreign operations are translated into U.S. dollars at current exchange rates. 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. Foreign currency transactions, which are included in Other income (expense), net, were a loss of \$ 3.4 million in 2023, loss of \$ 4.8 million in 2022 and income of \$ 1.7 million in 2021.

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 in an 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 awards (collectively "share-based awards") if the conversion of these awards are dilutive. 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 three operating segments, for the purpose of allocating resources and evaluating financial performance.

We have one reportable segment as the three operating segments are aggregated primarily due 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 offered, customer base and the methods used to distribute products and provide services to its customers.

Recently Issued Accounting Pronouncements - Not Yet Adopted

Disclosure Improvements

In October 2023, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") 2023-06, *Disclosure Improvements* ("ASU 2023-06"), which defers when companies will be required to improve and clarify disclosure and presentation requirements by June 2027. ASU 2023-06 applies to all entities subject to meeting the Securities and Exchange ("SEC") disclosure requirements. These updates would require additional qualitative information to the Statement of Cash Flows, Earnings Per Share, Debt and Shareholder's Equity disclosures. The related disclosures are effective for the fiscal year beginning after December 15, 2024. We are currently evaluating the impact of adopting ASU 2023-06 on our consolidated financial statements and related disclosures, and do not believe it will have a material impact on our consolidated financial statements.

Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires a company to disclose additional, more detailed information about a reportable segment's significant expenses, even if there is one reportable segment, and is intended to improve the disclosures about a public entity's reportable segments. The ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2023-07 and do not believe it will have a material impact on our consolidated financial statements and segment reporting.

Income Tax Disclosure Improvements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes* ("ASU 2023-09"), which requires a company to enhance their income tax disclosures. In each annual reporting period, the company should disclose the specific categories used in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold, including disaggregation of taxes paid by jurisdiction. The related disclosures are effective for the fiscal year beginning after December 15, 2024. We are currently evaluating the impact of adopting ASU 2023-09 on our consolidated financial statements and related disclosures and do not believe it will have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements - Adopted

Supplier Finance Programs

In September 2022, the FASB issued ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* ("ASU 2022-04"), which requires a company to disclose sufficient qualitative and quantitative information about any supplier finance program in which it participates as a buyer. In each annual reporting period, the company should disclose the key terms of the program, including a rollforward of those obligations outstanding at the beginning of the period. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the requirement on rollforward information, which is effective for fiscal years beginning after December 15, 2023. The adoption of ASU 2022-04 on our consolidated financial statements and related disclosures does not have a material impact on our consolidated financial statements.

Reference Rate Reform

In March 2021, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* ("ASU 2022-06"), which defers when companies will be required to find an alternative rate to LIBOR to December 31, 2024. ASU 2022-06 applies to all entities subject to meeting certain criteria that have contracts, hedging relationships or other transactions that include the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. We have modified current agreements to reference an alternative rate other than LIBOR, and determined there is no material impact on our consolidated financial statements.

3. Inventories

We used the LIFO method of accounting for approximately 91.4 % of Inventories at December 30, 2023 and 92.4 % of Inventories at December 31, 2022. As a result of changes in the LIFO reserve, we recorded a decrease to Cost of sales of \$ 94.6

million in 2023 and an increase to Cost of sales of \$ 311.8 million in 2022 and a decrease to Cost of sales of \$ 122.3 million in 2021.

Purchasing and warehousing costs included in Inventories as of December 30, 2023 and December 31, 2022 were \$ 576.9 million and \$ 635.9 million.

Inventory balances were as follows:

	December 30, 2023	December 31, 2022
Inventories at first-in, first-out ("FIFO")	\$ 5,041,752	\$ 5,174,918
Adjustments to state inventories at LIFO	(184,050)	(278,649)
Inventories at LIFO	<u>\$ 4,857,702</u>	<u>\$ 4,896,269</u>

4. Goodwill and Other Intangible Assets, Net

Goodwill

At December 30, 2023 and December 31, 2022, the carrying amount of Goodwill in the accompanying Consolidated Balance Sheets was \$ 991.7 million and \$ 990.5 million. The change in Goodwill during 2023 and 2022 was \$ 1.2 million and \$ 3.3 million, and related to foreign currency translation. There has been no history of impairment of goodwill experienced to date.

Other Intangible Assets, Net

Amortization expense was \$ 29.5 million, \$ 31.0 million and \$ 31.1 million for 2023, 2022 and 2021. A summary of the composition of the gross carrying amounts and accumulated amortization of acquired other intangible assets are presented in the following table:

	December 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:						
Customer relationships	\$ 350,092	\$ (296,205)	\$ 53,887	\$ 349,428	\$ (267,806)	\$ 81,622
Non-compete and other	40,157	(38,575)	1,582	40,157	(38,051)	2,106
	390,249	(334,780)	55,469	389,585	(305,857)	83,728
Indefinite-lived intangible assets:						
Brands, trademark and trade names	537,872	—	537,872	537,173	—	537,173
Total intangible assets	<u>\$ 928,121</u>	<u>\$ (334,780)</u>	<u>\$ 593,341</u>	<u>\$ 926,758</u>	<u>\$ (305,857)</u>	<u>\$ 620,901</u>

Future Amortization Expense

The expected amortization expense for the next five years and thereafter for acquired intangible assets recorded as of December 30, 2023 was as follows:

Year	Amount
2024	\$ 28,164
2025	26,633
2026	380
2027	292
	<u>\$ 55,469</u>

5. Receivables, net

Receivables, net, consisted of the following:

	December 30, 2023	December 31, 2022
Trade	\$ 558,953	\$ 557,195
Vendor	257,847	133,023
Other	10,930	10,638
Total receivables	827,730	700,856
Less: allowance for credit losses	(27,589)	(16,808)
Receivables, net	<u>\$ 800,141</u>	<u>\$ 684,048</u>

6. Long-term Debt and Fair Value of Financial Instruments

Long-term debt consisted of the following:

	December 30, 2023	December 31, 2022
5.90 % Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$ 1,631 at December 30, 2023) due March 9, 2026	\$ 298,369	\$ —
1.75 % Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$ 2,486 and \$ 3,053 at December 30, 2023 and December 31, 2022) due October 1, 2027	347,514	346,947
5.95 % Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$ 1,884 at December 30, 2023) due March 9, 2028	298,116	—
3.90 % Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$ 3,851 and \$ 4,438 at December 30, 2023, and December 31, 2022) due April 15, 2030	496,149	495,562
3.50 % Senior Unsecured Notes (net of unamortized discount and debt issuance costs of \$ 3,787 and \$ 4,226 at December 30, 2023, and December 31, 2022) due March 15, 2032	346,213	345,774
Revolving credit facility (interest rate of 7.50 % as of December 30, 2023)	—	185,000
	<u>1,786,361</u>	<u>1,373,283</u>
Less: Current portion of long-term debt	—	(185,000)
Long-term debt, excluding the current portion	<u>\$ 1,786,361</u>	<u>\$ 1,188,283</u>
Fair value of long-term debt	<u>\$ 1,641,409</u>	<u>\$ 1,021,396</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. The carrying amounts of our Cash and cash equivalents, Receivables, net, Accounts payable and Accrued expenses approximate their fair values due to the relatively short-term nature of these instruments.

Bank Debt

On November 9, 2021, we entered into a credit agreement that provides a \$ 1.2 billion unsecured revolving credit facility (the "2021 Credit Agreement") with Advance Auto Parts, Inc., as Borrower, Advance Stores, as a Guarantor, the lenders party thereto, and Bank of America, N.A., as the Administrative Agent, and replaced the previous credit agreement. The revolver under the 2021 Credit Agreement replaced the revolver under the previous credit agreement. The revolver under the 2021 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 \$ 500.0 million during the term of the 2021 Credit Agreement.

As of December 30, 2023, we had no outstanding borrowings under the 2021 Credit Agreement and borrowing availability was \$ 1.2 billion. Under the 2021 Credit Agreement, we had no letters of credit outstanding as of December 30, 2023. As of December 31, 2022, we had \$ 185.0 million outstanding borrowings under the 2021 Credit Agreement and borrowing availability was \$ 1.0 billion. Under the 2021 Credit Agreement, we had no letters of credit outstanding as of December 31, 2022.

Interest on any borrowings on the 2021 Credit Agreement is 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 1.00 % for the adjusted LIBOR and 0.00 % for alternate base rate borrowings. A facility fee of 0.125 % per annum is charged on the total revolving facility commitment, payable quarterly in arrears. Under the terms of the 2021 Credit Agreement, the interest rate spread and facility fee are based on our credit rating. The interest rate spread ranges from 0.795 % to 1.30 % for adjusted LIBOR borrowings and 0.00 % to 0.30 % for alternate base rate borrowings. The facility fee ranges from 0.08 % to 0.20 %.

On February 27, 2023, we entered into Amendment No. 1 ("Amendment No. 1") to the 2021 Credit Agreement. Amendment No. 1 extends the maturity date of the 2021 Credit Agreement by one year from November 9, 2026, to November 9, 2027. Amendment No. 1 also replaces an adjusted LIBOR benchmark rate with a term secured overnight financing rate benchmark rate, as adjusted by an increase of ten basis points, plus the applicable margin under 2021 Credit Agreement.

On August 21, 2023, we entered into Amendment No. 2 ("Amendment No. 2") to the 2021 Credit Agreement in order to amend certain financial covenants related to the Consolidated Coverage Ratio (as defined therein), and on November 20, 2023, we entered into Amendment No. 3 ("Amendment No. 3") to the 2021 Credit Agreement in order to further amend financial covenants related to the Consolidated Coverage Ratio. Pursuant to Amendment No. 2 and Amendment No. 3, we will not permit the Consolidated Coverage Ratio to be less than (a) 1.75 to 1.00 for each period of four fiscal quarters ending on October 7, 2023 through and including the period of four fiscal quarters ending on October 5, 2024, (b) 2.00 to 1.00 for each period of four fiscal quarters ending on December 28, 2024 through and including the period of four fiscal quarters ending on October 4, 2025 and (c) 2.25 to 1.00 for each period of four fiscal quarters ending after October 4, 2025. Amendment No. 2. and Amendment No. 3 made no other material changes to the terms of the 2021 Credit Agreement.

On February 26, 2024, we entered into Amendment No. 4 ("Amendment No. 4") to the 2021 Credit Agreement to enable certain addbacks to the definition of Consolidated EBITDA contained therein for specific write-downs of inventory and vendor receivables. Amendment No. 4 also updated certain limitations on future incurrences of other indebtedness and liens, replacing the cap thereon of 10% of consolidated net tangible assets with \$400 million, and eliminated the \$250 million basket for accounts receivable securitization transactions. Amendment No. 4 made no other material changes to the terms of the 2021 Credit Agreement.

The 2021 Credit Agreement contains customary covenants restricting the ability of: (a) Advance Auto Parts, Inc. and its subsidiaries to, among other things, (i) create, incur or assume additional debt (only with respect to subsidiaries of Advance Auto Parts, Inc.), (ii) incur liens, (iii) guarantee obligations, and (iv) change the nature of their business; (b) Advance Auto Parts, Inc., 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 Auto Parts, Inc., among other things, to change its holding company status. Advance is also required to comply with financial covenants with respect to a maximum leverage ratio and a minimum coverage ratio. The 2021 Credit Agreement also provides for customary events of default, including non-payment defaults, covenant defaults and cross-defaults of Advance's other material indebtedness. We were in compliance with our financial covenants with respect to the 2021 Credit Agreement as of December 30, 2023.

As of December 30, 2023 and December 31, 2022, we had \$ 91.2 million and \$ 90.2 million of bilateral letters of credit issued separately from the 2021 Credit Agreement, none of which were drawn upon. These bilateral letters of credit generally have a term of one year or less and primarily serve as collateral for our self-insurance policies.

Senior Unsecured Notes

Our 4.50 % senior unsecured notes due December 1, 2023 (the "2023 Notes") were issued in December 2013 at 99.69 % of the principal amount of \$ 450.0 million. The 2023 Notes bear interest, payable semi-annually in arrears on June 1 and December 1, at a rate of 4.50 % per year. Pursuant to a cash tender offer that was completed on September 29, 2020, we repurchased \$ 256.3 million of our 2023 Notes with the net proceeds from the 2027 Notes. In connection with this tender offer, we incurred charges relating to tender premiums and debt issuance costs of \$ 30.5 million and \$ 1.4 million. On April 4, 2022, we redeemed the remaining \$ 193.2 million principal amount of our outstanding 2023 Notes with the net proceeds from the issuance of the 3.50 % senior unsecured notes due March 15, 2032 (the "2032 Notes"). In connection with this early redemption, we incurred charges related to the make-whole provision and debt issuance costs of \$ 7.0 million and \$ 0.4 million.

Our 3.90 % senior unsecured notes due April 15, 2030 (the "Original Notes") were issued April 16, 2020, at 99.65 % of the principal amount of \$ 500.0 million, and were not registered under the Securities Act of 1933, as amended (the "Securities Act"). The Original Notes bear interest, payable semi-annually in arrears on April 15 and October 15, at a rate of 3.90 % per year. On July 28, 2020, we completed an exchange offer whereby the Original Notes in the aggregate principal amount of \$ 500.0 million, which were not registered under the Securities Act of 1933, as amended (the "Securities Act"), were exchanged for a like principal amount of 3.90 % senior unsecured notes due 2030 (the "Exchange Notes" or "2030 Notes"), which have been registered under the Securities Act. The Original Notes were substantially identical to the Exchange Notes, except that the Exchange Notes are registered under the Securities Act and are not subject to the transfer restrictions and certain registration rights agreement provisions applicable to the Original Notes.

Our 1.75 % senior unsecured notes due October 1, 2027 (the "2027 Notes") were issued September 29, 2020, at 99.67 % of the principal amount of \$ 350.0 million. The 2027 Notes bear interest, payable semi-annually in arrears on April 1 and October 1, at a rate of 1.75 % per year. In connection with the 2027 Notes offering, we incurred \$ 2.9 million of debt issuance costs.

Our 3.50 % senior unsecured notes due March 15, 2032 (the "2032 Notes") were issued March 4, 2022, at 99.61 % of the principal amount of \$ 350.0 million. The 2032 Notes bear interest, payable semi-annually in arrears on March 15 and September 15, at a rate of 3.50 % per year. In connection with the 2032 Notes offering, we incurred \$ 3.2 million of debt issuance costs.

Our 5.90 % senior unsecured notes due March 9, 2026 (the "2026 Notes") were issued March 9, 2023, at 99.94 % of the principal amount of \$ 300.0 million. The 2026 Notes bear interest, payable semi-annually in arrears on March 9 and September 9, at a rate of 5.90 % per year. In connection with the 2026 Notes offering, we incurred \$ 1.6 million of debt issuance costs.

Our 5.95 % senior unsecured notes due March 9, 2028 (the "2028 Notes") were issued March 9, 2023, at 99.92 % of the principal amount of \$ 300.0 million. The 2028 Notes bear interest, payable semi-annually in arrears on March 9 and September 9, at a rate of 5.95 % per year. In connection with the 2028 Notes offering, we incurred \$ 1.9 million of debt issuance costs.

Our 2023 Notes, 2026 Notes, 2027 Notes, 2028 Notes, 2030 Notes and 2032 Notes are collectively referred to herein as our "senior unsecured notes" or the "Notes." The terms of the 2023 Notes, 2026 Notes, 2027 Notes, 2028 Notes and 2032 notes are governed by an indenture dated as of April 29, 2010 (as amended, supplemented, waived or otherwise modified, the "2010 Indenture") among Advance Auto Parts, Inc., the subsidiary guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee. The terms of the 2030 Notes are governed by an indenture dated as of April 16, 2020 (as amended, supplemented, waived or otherwise modified, the "2020 Indenture" and together with the 2010 Indenture, the "Indentures") among Advance Auto Parts, Inc., 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 senior unsecured notes at any time or from time to time, at the redemption prices described in the Indentures. In addition, in the event of a Change of Control Triggering Event (as defined in the Indentures), 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. Currently, the Notes are fully and unconditionally guaranteed, jointly and severally, on an unsubordinated and unsecured basis by guarantor and subsidiary guarantees, as defined by the Indenture.

The Indentures contain 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 Indentures 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 ten 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 Indentures also contain covenants limiting our ability to incur debt secured by liens and to enter into certain sale and lease-back transactions.

Future Payments

As of December 30, 2023, the aggregate future annual maturities of long-term debt instruments were as follows:

Year	Amount
2024	\$ —
2025	—
2026	300,000
2027	350,000
2028	300,000
Thereafter	850,000
	<u>\$ 1,800,000</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 \$ 106.9 million as of December 30, 2023. 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 was \$ 221.2 million as of December 30, 2023. We believe that the likelihood of performance under these guarantees is remote.

7. Property and Equipment

Property and equipment consisted of the following:

	Useful Lives	December 30, 2023	December 31, 2022
Land and land improvements ⁽¹⁾	10 years	\$ 470,890	\$ 471,349
Buildings	30 - 40 years	543,467	535,884
Building and leasehold improvements	3 - 15 years	800,621	722,006
Furniture, fixtures and equipment	3 - 20 years	2,563,043	2,398,818
Vehicles	3 years	14,539	14,549
Construction in progress		113,712	137,915
		<u>4,506,272</u>	<u>4,280,521</u>
Less: Accumulated depreciation		<u>(2,857,726)</u>	<u>(2,590,382)</u>
Property and equipment, net		<u>\$ 1,648,546</u>	<u>\$ 1,690,139</u>

⁽¹⁾ Land is deemed to have an indefinite life.

As of December 30, 2023 and December 31, 2022, we had capitalized software costs of \$ 1.0 billion and \$ 922.9 million and accumulated depreciation of \$ 711.4 million and \$ 617.1 million. Depreciation expense relating to Property and equipment was \$ 276.9 million, \$ 252.8 million and \$ 228.8 million for 2023, 2022 and 2021.

8. Leases and Other Commitments

Leases

Substantially all of our leases are for facilities and vehicles. The initial term for facilities are typically five to ten years, with renewal options at five-year intervals, with the exercise of lease renewal options at our sole discretion. Our vehicle and equipment leases are typically three to six years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease liabilities consisted of the following:

	December 30, 2023	December 31, 2022
Total operating lease liabilities	\$ 2,660,827	\$ 2,692,861
Less: Current portion of operating lease liabilities	(445,061)	(414,543)
Non-current operating lease liabilities	<u>\$ 2,215,766</u>	<u>\$ 2,278,318</u>

The current portion of operating lease liabilities was included in Other current liabilities in the accompanying Consolidated Balance Sheets.

Total lease cost was included in Cost of sales and SG&A in the accompanying Consolidated Statements of Operations and is recorded net of immaterial sublease income. Total lease cost comprised the following:

	Year Ended	
	December 30, 2023	December 31, 2022
Operating lease cost	\$ 572,024	\$ 563,959
Variable lease cost	177,504	171,621
Total lease cost	<u>\$ 749,528</u>	<u>\$ 735,580</u>

The future maturity of lease liabilities are as follows:

Year	Amount
2024	\$ 539,836
2025	582,552
2026	466,443
2027	383,426
2028	294,932
Thereafter	775,662
Total lease payments	3,042,851
Less: Imputed interest	(382,024)
Total operating lease liabilities	<u>\$ 2,660,827</u>

Operating lease liabilities included \$ 30.0 million related to options to extend lease terms that are reasonably certain of being exercised and excluded \$ 49.7 million of legally binding lease obligations for leases signed, but not yet commenced.

The weighted average remaining lease term and weighted average discount rate for our operating leases were 6.5 years and 3.9 % as of December 30, 2023. We calculated the weighted average discount rates using incremental borrowing rates, which equal the rates of interest that we would pay to borrow funds on a fully collateralized basis over a similar term.

Other information relating to our lease liabilities were as follows:

	Year Ended	
	December 30, 2023	December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 603,108	\$ 624,484
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 447,988	\$ 432,497

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 30, 2023, future payments of these arrangements were \$ 133.0 million and were not accrued in our Consolidated Balance Sheet.

9. Accrued Expenses

Accrued expenses consisted of the following:

	December 30, 2023	December 31, 2022
Payroll and related benefits	\$ 161,607	\$ 155,441
Taxes payable	118,791	84,454
Self-insurance reserves	74,536	72,337
Inventory related accruals	68,188	43,025
Accrued rebates	51,656	42,415
Accrued professional services/legal	14,425	22,317
Capital expenditures	5,287	8,927
Other	176,747	200,548
Total accrued expenses	<u>\$ 671,237</u>	<u>\$ 629,464</u>

10. Share Repurchase Program

In February 2022, our Board of Directors authorized an additional \$ 1.0 billion toward the existing share repurchase program. Previously in April 2021 and November 2019, our Board of Directors authorized \$ 1.0 billion and \$ 700.0 million for our share repurchase program. Our share repurchase program permits the repurchase of our common stock on the open market and in privately negotiated transactions from time to time. The Board of Directors may increase or otherwise modify, renew, suspend or terminate the share repurchase program without prior notice.

During 2023, we did not repurchase any shares of our common stock under our share repurchase program. We had \$ 947.3 million remaining under our share repurchase program as of December 30, 2023. During 2022, we repurchased 3.0 million shares of our common stock at an aggregate cost of \$ 598.2 million or an average price of \$ 201.88 per share, under our share repurchase program.

11. Earnings per Share

The computations of basic and diluted earnings per share were as follows:

	Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Numerator			
Net income applicable to common shares	\$ 29,735	\$ 464,402	\$ 596,615
Denominator			
Basic weighted average common shares	59,432	60,351	64,028
Dilutive impact of share-based awards	176	366	481
Diluted weighted average common shares ⁽¹⁾	59,608	60,717	64,509
Basic earnings per common share	\$ 0.50	\$ 7.70	\$ 9.32
Diluted earnings per common share	\$ 0.50	\$ 7.65	\$ 9.25

⁽¹⁾ For 2023, 2022 and 2021, restricted stock units ("RSUs") excluded from the diluted calculation as their inclusion would have been anti-dilutive were 299 thousand, 115 thousand and 9 thousand.

12. Income Taxes

Provision for Income Taxes

Provision for income taxes consisted of the following:

	Current	Deferred	Total
2023			
Federal	\$ 20,363	\$ (36,935)	\$ (16,572)
State	6,137	(11,321)	(5,184)
Foreign	23,394	474	23,868
	<u>\$ 49,894</u>	<u>\$ (47,782)</u>	<u>\$ 2,112</u>
2022			
Federal	\$ 81,564	\$ 12,609	\$ 94,173
State	15,902	5,546	21,448
Foreign	25,966	(1,627)	24,339
	<u>\$ 123,432</u>	<u>\$ 16,528</u>	<u>\$ 139,960</u>
2021			
Federal	\$ 83,979	\$ 47,558	\$ 131,537
State	22,927	10,240	33,167
Foreign	20,186	988	21,174
	<u>\$ 127,092</u>	<u>\$ 58,786</u>	<u>\$ 185,878</u>

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

	Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Income before provision for income taxes at statutory U.S. federal income tax rate (21 % for 2023, 2022 and 2021)	\$ 6,689	\$ 126,730	\$ 163,965
State income taxes, net of federal income tax	(4,962)	16,222	27,517
Other, net	385	(2,992)	(5,604)
Provision for income taxes	\$ 2,112	\$ 139,960	\$ 185,878

Deferred Income Tax Assets (Liabilities)

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

	December 30, 2023	December 31, 2022
Deferred income tax assets:		
Accrued expenses not currently deductible for tax	\$ 22,377	\$ 19,589
Share-based compensation	10,698	12,642
Accrued medical and workers compensation	9,704	13,666
Net operating loss carryforwards	3,273	3,577
Operating lease liabilities	670,030	678,432
Other, net	13,602	9,291
Total deferred income tax assets before valuation allowances	729,684	737,197
Less: Valuation allowance	(5,179)	(5,036)
Total deferred income tax assets	724,505	732,161
Deferred income tax liabilities:		
Property and equipment	(91,084)	(125,651)
Inventories	(219,446)	(226,499)
Intangible assets	(136,366)	(137,464)
Operating lease right-of-use assets	(640,151)	(653,296)
Total deferred income tax liabilities	(1,087,047)	(1,142,910)
Net deferred income tax liabilities	\$ (362,542)	\$ (410,749)

As of December 30, 2023 and December 31, 2022, our net operating loss ("NOL") carryforwards comprised state NOLs of \$ 102.2 million and \$ 108.9 million. These NOLs may be used to reduce future taxable income and expire periodically through 2039. Due to uncertainties related to the realization of these NOLs in certain jurisdictions, as well as other credits available to us, we have recorded a valuation allowance of \$ 2.9 million as of December 30, 2023 and \$ 3.0 million as of December 31, 2022. In addition, we recorded a \$ 2.2 million valuation allowance on foreign tax credit carryforwards as of December 30, 2023. The amount of deferred income tax assets realizable 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 30, 2023 and December 31, 2022, these accumulated net earnings generated by our foreign operations were \$ 118.3 million and \$ 98.7 million, which did not include earnings deemed to be repatriated as part of the U.S. Tax Cuts and Jobs 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:

	December 30, 2023	December 31, 2022	January 1, 2022
Unrecognized tax benefits, beginning of period	\$ 15,211	\$ 20,979	\$ 26,967
Increases related to prior period tax positions	245	75	484
Decreases related to prior period tax positions	—	(261)	(849)
Increases related to current period tax positions	563	928	2,240
Settlements	—	(256)	(2,993)
Expiration of statute of limitations	(4,829)	(6,254)	(4,870)
Unrecognized tax benefits, end of period	\$ 11,190	\$ 15,211	\$ 20,979

As of December 30, 2023, December 31, 2022 and January 1, 2022, the entire amount of unrecognized tax benefits, if recognized, would reduce our annual effective tax rate of 6.6 %, 23.2 % and 23.8 %. During 2023, 2022 and 2021, we recorded income tax-related interest and penalties of \$ 0.2 million, \$ 0.6 million and \$ 0.7 million due to uncertain tax positions included in the Provision for income taxes in the accompanying Consolidated Statements of Operations. As of December 30, 2023 and December 31, 2022, we recorded a liability for potential interest of \$ 2.5 million and \$ 2.7 million and for potential penalties of \$ 0.1 million for each year. We do 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 2020.

13. Contingencies

Currently and from time to time, we are 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 pending 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.

On October 9, 2023 and October 27, 2023, two putative class actions on behalf of purchasers of our securities who purchased or otherwise acquired their securities between November 16, 2022 and May 30, 2023, inclusive (the "Class Period"), were commenced against us and certain of our former officers in the United States District Court for the Eastern District of North Carolina. The plaintiffs allege that the defendants made certain false and materially misleading statements during the alleged Class Period in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. These cases were consolidated on February 9, 2024 and the matter is in preliminary stages. We strongly dispute the allegations and intend to defend the case vigorously.

On January 17, 2024, a derivative shareholder complaint was commenced against our directors and certain former officers alleging derivative liability for the allegations made in the securities class action complaints noted above. This case is still in preliminary stages. We strongly dispute the allegations of the complaint and intend to defend the case vigorously.

In the normal course of business, the Company identified a potential discrepancy in trade compliance pertaining to customs transactions. The Company is conducting a thorough review of transactions, and if the review identifies any relevant errors, the Company will reimburse U.S. Customs and Border Protection ("CBP") for duties, fees and interest owed, if any. The Company has submitted a voluntary initial prior disclosure with the CBP. Since filing its voluntary initial prior disclosure, the Company has not identified any material errors. Based on currently known information, it is too early for management to reasonably estimate the loss, or range of loss, if any, that may result. Accordingly, management has not recorded a loss contingency as of December 30, 2023, related to this matter.

14. 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 \$ 26.3 million, \$ 24.5 million and \$ 27.3 million in 2023, 2022 and 2021.

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 maintain a deferred compensation liability for this plan. As of December 30, 2023 and December 31, 2022, these liabilities were \$ 14.3 million and \$ 13.7 million and are included within Accrued Expenses in the Consolidated Balance Sheets.

15. 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 2023 Omnibus Incentive Compensation Plan ("2023 Plan"), approved on May 24, 2023, which replaced our 2014 Long-Term Incentive Plan. In 2023, 2022 and 2021, we granted share-based compensation in the form of RSUs or deferred stock units ("DSUs"). Our grants, which have three methods of measuring fair value, generally include a time-based service or a performance-based or a market-based portion, which collectively represent the target award.

In 2023 and 2022, we also granted options to purchase common stock to certain employees under our 2023 Plan. The options are granted at an exercise price equal to the closing market price of Advance's common stock on the date of the grant, expire after ten years and vest one-third annually over three years. We record compensation expense for the grant date fair value of the option awards evenly over the vesting period.

At December 30, 2023, there were 2.4 million shares of common stock available for future issuance under the 2023 Plan based on management's current estimate of the probable vesting outcome for performance-based awards. Shares forfeited become available for reissuance and are included in availability.

Restricted Stock Units

For time-based RSUs, the fair value of each award was determined based on the market price of our common stock on the date of grant. Time-based 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.

For performance-based RSUs, the fair value of each award was determined based on the market price of our common stock on the date of grant. Performance-based awards generally may vest following a three-year period subject to the 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. Performance-based 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. The number of performance-based awards outstanding is based on the number of awards that we believed were probable of vesting at December 30, 2023.

There were 22 thousand performance-based RSUs granted during 2023. There were no performance-based RSUs granted during 2022 or 2021. 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 30, 2023. Compensation expense for performance-based awards of \$ 6.4 million, \$ 11.8 million and \$ 22.8 million in 2023, 2022 and 2021 was determined based on management's estimate of the probable vesting outcome.

For market-based RSUs, the fair value of each award 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:

	2023	2022	2021
Risk-free interest rate ⁽¹⁾	4.6 %	1.6 %	0.3 %
Expected dividend yield	— %	— %	— %
Expected stock price volatility ⁽²⁾	37.4 %	34.6 %	36.0 %

⁽¹⁾ The risk-free interest rate is based on the U.S. Treasury constant maturity interest rate having a 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.

Additionally, we estimated a liquidity discount of 12.2 % using the Chaffe Model to adjust the fair value for the post-vest restrictions. Vesting of market-based RSUs 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.

The following table summarizes activity for time-based, performance-based and market-based RSUs in 2023:

	Time-Based		Performance-Based		Market-Based	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2022	394	\$ 180.41	105	\$ 130.88	135	\$ 191.72
Granted	627	\$ 89.81	22	\$ 135.13	73	\$ 139.75
Change in units based on performance	—	\$ —	(15)	\$ 137.11	—	\$ —
Vested ⁽¹⁾	(195)	\$ 169.61	(112)	\$ 130.88	(30)	\$ 145.04
Forfeited	(126)	\$ 139.70	—	\$ 130.03	(55)	\$ 173.13
Nonvested at December 30, 2023	<u>700</u>	<u>\$ 109.56</u>	<u>—</u>	<u>\$ —</u>	<u>123</u>	<u>\$ 180.63</u>

⁽¹⁾ The vested shares of market-based RSUs were not exercised due to low multiplier effect for 2020 awards.

The following table summarizes certain information concerning activity for time-based, performance-based and market-based RSUs:

	Year Ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Time-based:			
Weighted average fair value of RSUs granted	\$ 89.81	\$ 196.61	\$ 183.41
Total grant date fair value of RSUs vested	\$ 33,125	\$ 34,685	\$ 34,555
Performance-based:			
Weighted average fair value of RSUs granted	\$ 135.13	\$ —	\$ —
Total grant date fair value of RSUs vested	\$ 14,711	\$ 12,460	\$ 7,987
Market-based:			
Weighted average fair value of RSUs granted	\$ 139.75	\$ 205.52	\$ 204.97
Total grant date fair value of RSUs vested	\$ 4,400	\$ 3,695	\$ 3,650

As of December 30, 2023, the maximum potential payout under our currently outstanding performance-based and market-based RSUs were 44 thousand and 255 thousand units.

Stock Options

In 2023, we granted 316 thousand stock options where the weighted average fair value of stock options granted was \$ 28.97 per share. The fair value was estimated on the date of grant by applying the Black-Scholes-Merton option-pricing valuation model.

The following table includes summary information for stock options as of December 30, 2023 :

	Number of Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	206	\$ 190.75		
Granted	316	\$ 94.03		
Exercised	—	\$ —		
Forfeited	(104)	\$ 162.54		
Outstanding at December 30, 2023	417	\$ 124.59	8.7	\$ 529
Exercisable at December 30, 2023	80	\$ 186.22	6.9	\$ —

The following table presents the range of the weighted-average assumptions used in determining the fair values of options granted:

	Year Ended		
	December 30, 2023		
Risk-free interest rate ⁽¹⁾	4.08 %	—	4.31 %
Expected life ⁽²⁾	6 years		
Expected volatility ⁽³⁾	35.1 %	—	42.9 %
Expected dividend yield ⁽⁴⁾	1.45 %	—	4.05 %

⁽¹⁾ The risk-free interest rate is based on the yield in effect at grant for zero-coupon U.S. Treasury notes with maturities equivalent to the expected term of the stock options.

⁽²⁾ The expected term represents the period of time options granted are expected to be outstanding. As we do not have sufficient historical data, we utilized the simplified method provided by the Securities and Exchange Commission to calculate the expected term as the average of the contractual term and vesting period.

⁽³⁾ Expected volatility is the measure of the amount by which the stock price has fluctuated or is expected to fluctuate. We utilized historical trends and the implied volatility of our publicly traded financial instruments in developing the volatility estimate for our stock options.

⁽⁴⁾ The expected dividend yield is calculated based on our expected quarterly dividend and the three-month average stock price as of the grant date.

Other Considerations

Total income tax benefit related to share-based compensation expense for 2023, 2022 and 2021 was \$ 11.0 million, \$ 12.5 million and \$ 15.2 million.

As of December 30, 2023, there was \$ 69.5 million of unrecognized compensation expense related to all share-based awards that is expected to be recognized over a weighted average period of 1.50 years.

Deferred Stock Units

We grant share-based awards annually to our Board of Directors in connection with our 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 74 thousand, nine thousand and ten thousand DSUs in 2023, 2022 and 2021. The weighted average fair value of DSUs granted during 2023, 2022 and 2021 was \$ 66.60 , \$ 193.05 and \$ 191.24 . The DSUs were awarded at a price equal to the market price of our underlying common stock on the date of the grant. For 2023, 2022 and 2021, we recognized \$ 3.4 million, \$ 1.7 million and \$ 1.6 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 30, 2023, there were 2.5 million shares available to be issued under the ESPP.

16. Accumulated Other Comprehensive Loss

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

	Unrealized Gain (Loss) on Postretirement Plan	Foreign Currency Translation	Accumulated Other Comprehensive (Loss) Income
Balance, January 2, 2021	\$ 1,170	\$ (27,906)	\$ (26,736)
2021 activity	(264)	(59)	(323)
Balance, January 1, 2022	906	(27,965)	(27,059)
2022 activity	(186)	(17,450)	(17,636)
Balance, December 31, 2022	720	(45,415)	(44,695)
2023 activity	82	(7,619)	(7,537)
Balance, December 30 , 2023	<u>\$ 802</u>	<u>\$ (53,034)</u>	<u>\$ (52,232)</u>

17. Supplier Finance Programs

We maintain supply chain financing agreements with third-party financial institutions to provide our suppliers with enhanced receivables options. Through these agreements, our suppliers, at their sole discretion, may elect to sell their receivables due from us to the third-party financial institution at terms negotiated between the supplier and the third-party financial institution. We do not provide any guarantees to any third party in connection with these financing arrangements. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted, and no assets are pledged under the agreements. All outstanding amounts due to third-party financial institutions related to suppliers participating in such financing arrangements are recorded within Accounts payable and represent obligations outstanding under these supplier finance programs for invoices that were confirmed as valid and owed to the third-party financial institutions in our Consolidated Balance Sheets. As of December 30 , 2023 and December 31, 2022, \$ 3.4 billion and \$ 3.1 billion of our Accounts payable were to suppliers participating in these financing arrangements.

Our confirmed obligations to suppliers participating in these financing arrangements consist of the following:

	December 30, 2023
Confirmed obligations outstanding at the beginning of the year	\$ 3,100,172
Invoices confirmed during the year	3,430,710
Confirmed invoices paid during the year	(3,169,633)
Confirmed obligations outstanding at the end of the year	<u>\$ 3,361,249</u>

18. Immaterial Restatement of Prior Period Financial Statements

As discussed in Note 1, we identified errors in our consolidated financial statements for fiscal years ended 2022 and 2021 and for the quarterly periods of 2023. A summary of the corrections, inclusive of adjustments discovered in the third and fourth quarters of 2023, are as follows (tables may not foot or cross foot due to rounding):

Condensed Consolidated Balance Sheet
January 1, 2022

	As Previously Reported	Adjustments	As Corrected
Assets			
Cash and cash equivalents	\$ 601,428	\$ (13,378)	\$ 588,050
Receivables, net	782,785	(28,671)	754,114
Inventories, net	4,659,018	23,617	4,682,635
Total current assets	6,275,476	(18,432)	6,257,044
Total assets	\$ 12,194,209	\$ (18,432)	\$ 12,175,777
Liabilities and Stockholders' Equity			
Accounts payable	\$ 3,922,007	\$ 44,567	\$ 3,966,574
Accrued expenses	777,051	(2,902)	774,149
Total current liabilities	5,180,307	41,665	5,221,972
Deferred income taxes	410,606	(15,438)	395,168
Other long-term liabilities	103,034	1,840	104,874
Total liabilities	9,065,918	28,067	9,093,985
Accumulated other comprehensive loss	(22,627)	(4,432)	(27,059)
Retained earnings	4,605,791	(42,067)	4,563,724
Total stockholders' equity	3,128,291	(46,499)	3,081,792
Total liabilities and stockholders' equity	\$ 12,194,209	\$ (18,432)	\$ 12,175,777

Condensed Consolidated Balance Sheet
December 31, 2022

	As Previously Reported	Adjustments	As Corrected
Assets			
Cash and cash equivalents	\$ 269,282	\$ 1,523	\$ 270,805
Receivables, net	698,613	(14,565)	684,048
Inventories, net	4,915,262	(18,993)	4,896,269
Total current assets	6,046,852	(32,035)	6,014,817
Total assets	\$ 12,018,482	\$ (32,035)	\$ 11,986,447
Liabilities and Stockholders' Equity			
Accounts payable	\$ 4,123,462	\$ 55,445	\$ 4,178,907
Accrued expenses	634,447	(4,983)	629,464
Total current liabilities	5,370,389	50,462	5,420,851
Deferred income taxes	415,997	(5,248)	410,749
Other long-term liabilities	87,214	1,840	89,054
Total liabilities	9,340,201	47,054	9,387,255
Accumulated other comprehensive loss	(45,143)	448	(44,695)
Retained earnings	4,744,624	(79,537)	4,665,087
Total stockholders' equity	2,678,281	(79,089)	2,599,192
Total liabilities and stockholders' equity	\$ 12,018,482	\$ (32,035)	\$ 11,986,447

Condensed Consolidated Balance Sheet

April 22, 2023

	As Previously Reported	Adjustments	As Corrected
<u>Assets</u>			
Cash and cash equivalents	\$ 226,499	\$ (2,619)	\$ 223,880
Receivables, net	782,093	(12,107)	769,986
Inventories, net	5,015,973	(14,816)	5,001,157
Other current assets	177,127	24,590	201,717
Total current assets	6,201,692	(4,952)	6,196,740
Total assets	\$ 12,182,238	\$ (4,952)	\$ 12,177,286
<u>Liabilities and Stockholders' Equity</u>			
Accounts payable	\$ 3,682,749	\$ 72,249	\$ 3,754,998
Accrued expenses	718,290	(352)	717,938
Total current liabilities	4,983,455	71,897	5,055,352
Deferred income taxes	422,984	(5,248)	417,736
Other long-term liabilities	85,762	1,840	87,602
Total liabilities	9,546,077	68,489	9,614,566
Accumulated other comprehensive loss	(44,355)	424	(43,931)
Retained earnings	4,697,697	(73,865)	4,623,832
Total stockholders' equity	2,636,161	(73,441)	2,562,720
Total liabilities and stockholders' equity	\$ 12,182,238	\$ (4,952)	\$ 12,177,286

Condensed Consolidated Balance Sheet

July 15, 2023

	As Previously Reported	Adjustments	As Corrected
<u>Assets</u>			
Cash and cash equivalents	\$ 277,064	\$ (1,838)	\$ 275,226
Receivables, net	793,772	(11,081)	782,691
Inventories, net	5,067,467	(15,223)	5,052,244
Other current assets	188,169	22,988	211,157
Total current assets	6,326,472	(5,154)	6,321,318
Total assets	\$ 12,304,376	\$ (5,154)	\$ 12,299,222
<u>Liabilities and Stockholders' Equity</u>			
Accounts payable	\$ 3,780,215	\$ 82,467	\$ 3,862,682
Accrued expenses	685,191	(7,088)	678,103
Total current liabilities	5,026,378	75,379	5,101,757
Total liabilities	9,581,189	75,379	9,656,568
Accumulated other comprehensive loss	(36,824)	117	(36,707)
Retained earnings	4,767,168	(80,650)	4,686,518
Total stockholders' equity	2,723,187	(80,533)	2,642,654
Total liabilities and stockholders' equity	\$ 12,304,376	\$ (5,154)	\$ 12,299,222

Condensed Consolidated Balance Sheet

October 7, 2023

	As Previously Reported	Adjustments	As Corrected
<u>Assets</u>			
Cash and cash equivalents	\$ 317,528	\$ (974)	\$ 316,554
Receivables, net	868,305	(5,045)	863,260
Inventories, net	4,949,382	(30,227)	4,919,155
Other current assets	185,249	36,475	221,724
Total current assets	6,320,464	229	6,320,693
Total assets	\$ 12,248,932	\$ 229	\$ 12,249,161
<u>Liabilities and Stockholders' Equity</u>			
Accounts payable	\$ 3,943,019	\$ 70,995	\$ 4,014,014
Accrued expenses	714,317	9,766	724,083
Total current liabilities	5,135,939	80,761	5,216,700
Total liabilities	9,602,064	80,761	9,682,825
Accumulated other comprehensive loss	(47,599)	574	(47,025)
Retained earnings	4,690,424	(81,106)	4,609,318
Total stockholders' equity	2,646,868	(80,532)	2,566,336
Total liabilities and stockholders' equity	\$ 12,248,932	\$ 229	\$ 12,249,161

Condensed Consolidated Statement of Operations
January 1, 2022

	Year Ended		
	As Previously Reported	Adjustments	As Corrected
Cost of sales	\$ 6,069,241	\$ 4,798	\$ 6,074,039
Gross profit	4,928,748	(4,798)	4,923,950
Selling, general and administrative expenses	4,090,031	11,554	4,101,585
Operating income	838,717	(16,352)	822,365
Other (expense) income, net	4,999	(7,080)	(2,081)
Total other, net	(32,792)	(7,080)	(39,872)
Income before provision for income taxes	805,925	(23,432)	782,493
Provision for income taxes	189,817	(3,939)	185,878
Net income	\$ 616,108	\$ (19,493)	\$ 596,615
Basic earnings per share	\$ 9.62	\$ (0.30)	\$ 9.32
Diluted earnings per common share	\$ 9.55	\$ (0.30)	\$ 9.25

Condensed Consolidated Statement of Operations
December 31, 2022

	Year Ended		
	As Previously Reported	Adjustments	As Corrected
Cost of sales	\$ 6,192,622	\$ 29,865	\$ 6,222,487
Gross profit	4,962,100	(29,865)	4,932,235
Selling, general and administrative expenses	4,247,949	14,033	4,261,982
Operating income	714,151	(43,898)	670,253
Other (expense) income, net	(6,996)	(427)	(7,423)
Total other, net	(65,464)	(427)	(65,891)
Income before provision for income taxes	648,687	(44,325)	604,362
Provision for income taxes	146,815	(6,855)	139,960
Net income	\$ 501,872	\$ (37,470)	\$ 464,402
Basic earnings per share	\$ 8.32	\$ (0.62)	\$ 7.70
Diluted earnings per common share	\$ 8.27	\$ (0.62)	\$ 7.65

Condensed Consolidated Statement of Operations
April 22, 2023

	Sixteen Weeks Ended		
	As Previously Reported	Adjustments	As Corrected
Cost of sales	\$ 1,946,931	\$ 8,735	\$ 1,955,666
Gross profit	1,470,663	(8,735)	1,461,928
Selling, general and administrative expenses	1,380,664	(16,674)	1,363,990
Operating income	89,999	7,939	97,938
Income before provision for income taxes	59,607	7,939	67,546
Provision for income taxes	16,956	2,267	19,223
Net income	\$ 42,651	\$ 5,672	\$ 48,323
Basic earnings per share	\$ 0.72	\$ 0.09	\$ 0.81
Diluted earnings per common share	\$ 0.72	\$ 0.09	\$ 0.81

Condensed Consolidated Statement of Operations
July 15, 2023

	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
	As Previously Reported	Adjustments	As Corrected	As Previously Reported	Adjustments	As Corrected
Cost of sales	\$ 1,537,997	\$ 7,614	\$ 1,545,611	\$ 3,484,927	\$ 16,350	\$ 3,501,277
Gross profit	1,148,069	(7,614)	1,140,455	2,618,732	(16,350)	2,602,382
Selling, general and administrative expenses	1,013,701	794	1,014,495	2,394,365	(15,881)	2,378,484
Operating income	134,368	(8,408)	125,960	224,367	(469)	223,898
Income before provision for income taxes	115,183	(8,408)	106,775	174,789	(469)	174,320
Provision for income taxes	29,821	(1,623)	28,198	46,776	644	47,420
Net income	\$ 85,362	\$ (6,785)	\$ 78,577	\$ 128,013	\$ (1,113)	\$ 126,900
Basic earnings per share	\$ 1.44	\$ (0.12)	\$ 1.32	\$ 2.16	\$ (0.02)	\$ 2.14
Diluted earnings per common share	\$ 1.43	\$ (0.11)	\$ 1.32	\$ 2.15	\$ (0.02)	\$ 2.13

Condensed Consolidated Statement of Operations

October 7, 2023

	Twelve Weeks Ended			Forty Weeks Ended		
	As Previously Reported	Adjustments	As Corrected	As Previously Reported	Adjustments	As Corrected
Cost of sales	\$ 1,732,420	\$ 16,379	\$ 1,748,799	\$ 5,220,200	\$ 29,877	\$ 5,250,077
Gross profit	986,659	(16,379)	970,280	3,602,538	(29,877)	3,572,661
Selling, general and administrative expenses	1,030,355	878	1,031,233	3,407,445	2,272	3,409,717
Operating (loss) income	(43,696)	(17,257)	(60,953)	195,093	(32,149)	162,944
(Loss) income before provision for income taxes	(64,319)	(17,257)	(81,576)	124,894	(32,149)	92,745
Provision for income taxes	(15,686)	(3,853)	(19,539)	34,649	(6,766)	27,883
Net (loss) income	\$ (48,633)	\$ (13,404)	\$ (62,037)	\$ 90,245	\$ (25,383)	\$ 64,862
Basic (loss) earnings per share	\$ (0.82)	\$ (0.22)	\$ (1.04)	\$ 1.52	\$ (0.43)	\$ 1.09
Diluted (loss) earnings per common share	\$ (0.82)	\$ (0.22)	\$ (1.04)	\$ 1.51	\$ (0.42)	\$ 1.09

Condensed Consolidated Statement of Comprehensive Income

January 1, 2022

	Year Ended		
	As Previously Reported	Adjustments	As Corrected
Net income	\$ 616,108	\$ (19,493)	\$ 596,615
Currency translation adjustments	4,396	(4,455)	(59)
Total other comprehensive income (loss)	4,132	(4,455)	(323)
Comprehensive income	\$ 620,240	\$ (23,948)	\$ 596,292

Condensed Consolidated Statement of Comprehensive Income

December 31, 2022

	Year Ended		
	As Previously Reported	Adjustments	As Corrected
Net income	\$ 501,872	\$ (37,470)	\$ 464,402
Currency translation adjustments	(22,330)	4,880	(17,450)
Total other comprehensive loss	(22,516)	4,880	(17,636)
Comprehensive income	\$ 479,356	\$ (32,590)	\$ 446,766

Condensed Consolidated Statement of Comprehensive Income
April 22, 2023

	Sixteen Weeks Ended		
	As Previously Reported	Adjustments	As Corrected
Net income	\$ 42,651	\$ 5,672	\$ 48,323
Currency translation adjustments	591	(24)	567
Total other comprehensive loss	788	(24)	764
Comprehensive income	\$ 43,439	\$ 5,648	\$ 49,087

Condensed Consolidated Statement of Comprehensive Income
July 15, 2023

	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
	As Previously Reported	Adjustments	As Corrected	As Previously Reported	Adjustments	As Corrected
Net income	\$ 85,362	\$ (6,785)	\$ 78,577	\$ 128,013	\$ (1,113)	\$ 126,900
Currency translation adjustments	7,569	(307)	7,262	8,160	(331)	7,829
Total other comprehensive income	7,531	(307)	7,224	8,319	(331)	7,988
Comprehensive income	\$ 92,893	\$ (7,092)	\$ 85,801	\$ 136,332	\$ (1,444)	\$ 134,888

Condensed Consolidated Statement of Comprehensive Income
October 7, 2023

	Twelve Weeks Ended			Forty Weeks Ended		
	As Previously Reported	Adjustments	As Corrected	As Previously Reported	Adjustments	As Corrected
Net (loss) income	\$ (48,633)	\$ (13,404)	\$ (62,037)	\$ 90,245	\$ (25,383)	\$ 64,862
Currency translation adjustments	(10,737)	457	(10,280)	(2,577)	126	(2,451)
Total other comprehensive loss	(10,775)	457	(10,318)	(2,456)	126	(2,330)
Comprehensive (loss) income	\$ (59,408)	\$ (12,947)	\$ (72,355)	\$ 87,789	\$ (25,257)	\$ 62,532

Condensed Consolidated Statements of Changes in Stockholders' Equity

	Accumulated Other Comprehensive Loss		Retained Earnings	Total Stockholders' Equity
Fifty-Two Weeks As Previously Reported				
Balance at January 2, 2021	\$ (26,759)	\$	4,196,634	\$ 3,559,512
Net income	—		616,108	616,108
Total other comprehensive income	4,132		—	4,132
Balance at January 1, 2022	\$ (22,627)	\$	4,605,791	\$ 3,128,291
Adjustments				
Balance at January 2, 2021	\$ 23	\$	(22,574)	\$ (22,551)
Net Income	—		(19,493)	(19,493)
Total other comprehensive income	(4,455)		—	(4,455)
Balance at January 1, 2022	\$ (4,432)	\$	(42,067)	\$ (46,499)
As Corrected				
Balance at January 2, 2021	\$ (26,736)	\$	4,174,060	\$ 3,536,961
Net income	—		596,615	596,615
Total other comprehensive loss	(323)		—	(323)
Balance at January 1, 2022	\$ (27,059)	\$	4,563,724	\$ 3,081,792

Condensed Consolidated Statements of Changes in Stockholders' Equity

	Accumulated Other Comprehensive Loss		Retained Earnings	Total Stockholders' Equity
Fifty-Two Weeks As Previously Reported				
Balance at January 1, 2022	\$ (22,627)	\$	4,605,791	\$ 3,128,291
Net income	—		501,872	501,872
Total other comprehensive loss	(22,516)		—	(22,516)
Balance at December 31, 2022	\$ (45,143)	\$	4,744,624	\$ 2,678,281
Adjustments				
Balance at January 1, 2022	\$ (4,432)	\$	(42,067)	\$ (46,499)
Net Income	—		(37,470)	(37,470)
Total other comprehensive loss	4,880		—	4,880
Balance at December 31, 2022	\$ 448	\$	(79,537)	\$ (79,089)
As Corrected				
Balance at January 1, 2022	\$ (27,059)	\$	4,563,724	\$ 3,081,792
Net income	—		464,402	464,402
Total other comprehensive loss	(17,636)		—	(17,636)
Balance at December 31, 2022	\$ (44,695)	\$	4,665,087	\$ 2,599,192

Condensed Consolidated Statements of Changes in Stockholders' Equity
Sixteen Weeks Ended April 22, 2023

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Sixteen Weeks As Previously Reported			
Balance at December 31, 2022	\$ (45,143)	\$ 4,744,624	\$ 2,678,281
Net income	—	42,651	42,651
Total other comprehensive income	788	—	788
Balance at April 22, 2023	\$ (44,355)	\$ 4,697,697	\$ 2,636,161
Adjustments			
Balance at December 31, 2022	\$ 448	\$ (79,537)	\$ (79,089)
Net income	—	5,672	5,672
Total other comprehensive income	(24)	—	(24)
Balance at April 22, 2023	\$ 424	\$ (73,865)	\$ (73,441)
As Corrected			
Balance at December 31, 2022	\$ (44,695)	\$ 4,665,087	\$ 2,599,192
Net income	—	48,323	48,323
Total other comprehensive income	764	—	764
Balance at April 22, 2023	\$ (43,931)	\$ 4,623,832	\$ 2,562,720

Condensed Consolidated Statements of Changes in Stockholders' Equity
Twelve Weeks Ended July 15, 2023

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Twelve Weeks As Previously Reported			
Balance at April 22, 2023	\$ (44,355)	\$ 4,697,697	\$ 2,636,161
Net income	—	85,362	85,362
Total other comprehensive income	7,531	—	7,531
Balance at July 15, 2023	\$ (36,824)	\$ 4,767,168	\$ 2,723,187
Adjustments			
Balance at April 22, 2023	\$ 424	\$ (73,865)	\$ (73,441)
Net income	—	(6,785)	(6,785)
Total other comprehensive income	(307)	—	(307)
Balance at July 15, 2023	\$ 117	\$ (80,650)	\$ (80,533)
As Corrected			
Balance at April 22, 2023	\$ (43,931)	\$ 4,623,832	\$ 2,562,720
Net income	—	78,577	78,577
Total other comprehensive income	7,224	—	7,224
Balance at July 15, 2023	\$ (36,707)	\$ 4,686,518	\$ 2,642,654

Condensed Consolidated Statements of Changes in Stockholders' Equity
Twenty-Eight Weeks Ended July 15, 2023

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Twenty-Eight Weeks As Previously Reported			
Balance at Dec 31, 2022	\$ (45,143)	\$ 4,744,624	\$ 2,678,281
Net income	—	128,013	128,013
Total other comprehensive income	8,319	—	8,319
Balance at July 15, 2023	\$ (36,824)	\$ 4,767,168	\$ 2,723,187
Adjustments			
Balance at Dec 31, 2022	\$ 448	\$ (79,537)	\$ (79,089)
Net income	—	(1,113)	(1,113)
Total other comprehensive income	(331)	—	(331)
Balance at July 15, 2023	\$ 117	\$ (80,650)	\$ (80,533)
As Corrected			
Balance at Dec 31, 2022	\$ (44,695)	\$ 4,665,087	\$ 2,599,192
Net income	—	126,900	126,900
Total other comprehensive income	7,988	—	7,988
Balance at July 15, 2023	\$ (36,707)	\$ 4,686,518	\$ 2,642,654

Condensed Consolidated Statements of Changes in Stockholders' Equity
Twelve Weeks Ended October 7, 2023

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Twelve Weeks As Previously Reported			
Balance at July 15, 2023	\$ (36,824)	\$ 4,767,168	\$ 2,723,187
Net loss	—	(48,633)	(48,633)
Total other comprehensive loss	(10,775)	—	(10,775)
Balance at October 7, 2023	\$ (47,599)	\$ 4,690,424	\$ 2,646,868
Adjustments			
Balance at July 15, 2023	\$ 117	\$ (80,650)	\$ (80,533)
Net loss ⁽¹⁾	—	(13,404)	(13,404)
Total other comprehensive loss	457	—	457
Balance at October 7, 2023	\$ 574	\$ (81,106)	\$ (80,532)
As Corrected			
Balance at July 15, 2023	\$ (36,707)	\$ 4,686,518	\$ 2,642,654
Net loss	—	(62,037)	(62,037)
Total other comprehensive loss	(10,318)	—	(10,318)
Balance at October 7, 2023	\$ (47,025)	\$ 4,609,318	\$ 2,566,336

⁽¹⁾ Adjustments to retained earnings do not foot due to the previous adjustments made in third quarter 2023.

Condensed Consolidated Statements of Changes in Stockholders' Equity
Forty Weeks Ended October 7, 2023

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Forty Weeks As Previously Reported			
Balance at December 31, 2022	\$ (45,143)	\$ 4,744,624	\$ 2,678,281
Net income	—	90,245	90,245
Total other comprehensive loss	(2,456)	—	(2,456)
Balance at October 7, 2023	\$ (47,599)	\$ 4,690,424	\$ 2,646,868
Adjustments			
Balance at December 31, 2022	\$ 448	\$ (79,537)	\$ (79,089)
Net income ⁽¹⁾	—	(25,383)	(25,383)
Total other comprehensive loss	126	—	126
Balance at October 7, 2023	\$ 574	\$ (81,106)	\$ (80,532)
As Corrected			
Balance at December 31, 2022	\$ (44,695)	\$ 4,665,087	\$ 2,599,192
Net income	—	64,862	64,862
Total other comprehensive loss	(2,330)	—	(2,330)
Balance at October 7, 2023	\$ (47,025)	\$ 4,609,318	\$ 2,566,336

⁽¹⁾ Adjustments to retained earnings do not foot due to the previous adjustments made in third quarter 2023.

Condensed Consolidated Statement of Cash Flows
Fifty-Two Weeks Ended January 1, 2022

	As Previously Reported	Adjustments	As Corrected
Net income	\$ 616,108	\$ (19,493)	\$ 596,615
Provision for deferred income taxes	68,202	(9,416)	58,786
Net change in:			
Receivables, net	(32,652)	25,196	(7,456)
Inventories, net	(120,272)	(3,867)	(124,139)
Accounts payable	281,064	9,978	291,042
Accrued expenses	109,983	(7,638)	102,345
Net cash provided by operating activities	1,112,262	(5,240)	1,107,022
Effect of exchange rate changes on cash	5,600	(126)	5,474
Net (decrease) increase in cash and cash equivalents	(233,564)	(5,366)	(238,930)
Cash and cash equivalents, beginning of period	834,992	(8,012)	826,980
Cash and cash equivalents, end of period	\$ 601,428	\$ (13,378)	\$ 588,050

Condensed Consolidated Statement of Cash Flows
Fifty-Two Weeks Ended December 31, 2022

	As Previously Reported	Adjustments	As Corrected
Net income	\$ 501,872	\$ (37,470)	\$ 464,402
Provision for deferred income taxes	6,338	10,190	16,528
Net change in:			
Receivables, net	81,254	(14,107)	67,147
Inventories, net	(272,253)	42,610	(229,643)
Accounts payable	212,568	15,206	227,774
Accrued expenses	(165,643)	(2,080)	(167,723)
Net cash provided by operating activities	722,222	14,349	736,571
Effect of exchange rate changes on cash	(9,216)	552	(8,664)
Net (decrease) increase in cash and cash equivalents	(332,146)	14,901	(317,245)
Cash and cash equivalents, beginning of period	601,428	(13,378)	588,050
Cash and cash equivalents, end of period	\$ 269,282	\$ 1,523	\$ 270,805

Condensed Consolidated Statement of Cash Flows
Sixteen Weeks Ended April 22, 2023

	As Previously Reported	Adjustments	As Corrected
Net income	\$ 42,651	\$ 5,672	\$ 48,323
Other, net	391	458	849
Net change in:			
Receivables, net	(83,370)	(2,457)	(85,827)
Inventories, net	(100,178)	(4,177)	(104,355)
Accounts payable	(440,995)	16,805	(424,190)
Accrued expenses	85,035	4,631	89,666
Other assets and liabilities, net	1,534	(24,591)	(23,057)
Net cash used in operating activities	(378,865)	(3,659)	(382,524)
Other, net	(3,919)	(458)	(4,377)
Net cash used in financing activities	425,660	(458)	425,202
Effect of exchange rate changes on cash	93	(25)	68
Net (decrease) increase in cash and cash equivalents	(42,783)	(4,142)	(46,925)
Cash and cash equivalents, beginning of period	269,282	1,523	270,805
Cash and cash equivalents, end of period	\$ 226,499	\$ (2,619)	\$ 223,880

Condensed Consolidated Statement of Cash Flows
Twenty-Eight Weeks Ended July 15, 2023

	As Previously Reported	Adjustments	As Corrected
Net income	\$ 128,013	\$ (1,113)	\$ 126,900
Provision for deferred income taxes	16,249	\$ 5,248	\$ 21,497
Other, net	1,170	\$ 458	\$ 1,628
Net change in:			
Receivables, net	(93,539)	(3,483)	(97,022)
Inventories, net	(145,148)	(3,770)	(148,918)
Accounts payable	(346,808)	27,023	(319,785)
Accrued expenses	120,888	(2,107)	118,781
Other assets and liabilities, net	(36,008)	(24,828)	(60,836)
Net cash used in operating activities	(164,559)	(2,572)	(167,131)
Other, net	(4,073)	(458)	(4,531)
Net cash used in financing activities	314,403	(458)	313,945
Effect of exchange rate changes on cash	1,280	(331)	949
Net (decrease) increase in cash and cash equivalents	7,782	(3,361)	4,421
Cash and cash equivalents, beginning of period	269,282	1,523	270,805
Cash and cash equivalents, end of period	\$ 277,064	\$ (1,838)	\$ 275,226

Condensed Consolidated Statement of Cash Flows
Forty Weeks Ended October 7, 2023

	As Previously Reported	Adjustments	As Corrected
Net income	\$ 90,245	\$ (25,383)	\$ 64,862
Provision for deferred income taxes	(33,059)	5,248	(27,811)
Other, net	1,499	937	2,436
Net change in:			
Receivables, net	(170,371)	(9,519)	(179,890)
Inventories, net	(41,025)	15,442	(25,583)
Accounts payable	(191,871)	28,500	(163,371)
Accrued expenses	145,704	21,521	167,225
Other Assets and Liabilities	(45,015)	(38,316)	(83,331)
Net cash provided by operating activities	30,404	(1,570)	28,834
Other, net	(4,073)	(937)	(5,010)
Net cash used in financing activities	204,984	(937)	204,047
Effect of exchange rate changes on cash	(1,942)	10	(1,932)
Net (decrease) increase in cash and cash equivalents	48,246	(2,497)	45,749
Cash and cash equivalents, beginning of period	269,282	1,523	270,805
Cash and cash equivalents, end of period	\$ 317,528	\$ (974)	\$ 316,554

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

Allowance for credit losses	Balance at Beginning of Period	Charges to Expenses	Deductions⁽¹⁾	Balance at End of Period
January 1, 2022	\$ 11,929	\$ 11,125	\$ (12,892)	\$ 10,162
December 31, 2022	\$ 10,162	\$ 25,994	\$ (19,348)	\$ 16,808
December 30, 2023	\$ 16,808	\$ 22,112	\$ (11,331)	\$ 27,589

⁽¹⁾ Accounts written off during the period. These amounts did not impact our Statements 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	
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 Parts, Inc., effective August 8, 2023.	8-K	3.1	8/14/2023	
4.0	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934, as amended.	10-K	4.0	2/18/2020	
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	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	
4.3	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	
4.4	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	
4.5	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	
4.6	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	
4.7	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	
4.8	Indenture, dated as of April 16, 2020 by and among Advance Auto Parts, Inc., each of the subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as trustee.	8-K	4.1	4/17/2020	
4.9	Eighth Supplemental Indenture, dated as of September 29, 2020, among Advance Auto Parts, Inc. each of the Guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee.	8-K	4.6	9/30/2020	
4.10	Ninth Supplemental Indenture, dated as of March 4, 2022, among Advance Auto Parts, Inc., Advance Stores Company, Incorporated and Computershare Trust Company, N.A., as successor to Wells Fargo, National Association, as Trustee.	8-K	4.1	3/4/2022	
4.11	Tenth Supplemental Indenture, dated as of March 9, 2023, among Advance Auto Parts, Inc., Advance Stores Company, Incorporated and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as Trustee.	8-K	4.1	3/9/2023	
4.12	Form of 5.900% Notes due 2026 (included in Exhibit 4.1 1)	8-K	4.1	3/9/2023	
4.13	Form of 1.750% Notes due 2027 (included in Exhibit 4. 9)	8-K	4.6	9/30/2020	
4.14	Form of 5.950% Notes due 2028 (included in Exhibit 4.1 1)	8-K	4.1	3/9/2023	
4.15	Form of 3.900% Notes due 2030 (included in Exhibit 4.8)	8-K	4.1	4/17/2020	

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
4.16	Form of 3.500% Notes due 2032 (included in Exhibit 4. 10).	8-K	4.1	3/4/2022	
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. 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	
10.3	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	
10.4	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	
10.5	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	
10.6	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	
10.7	Eighth 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	
10.8	Advance Auto Parts, Inc. Executive Incentive Award Plan				X
10.9	Advance Auto Parts, Inc. 2014 Long-Term Incentive Plan (as amended effective August 7, 2018).	10-K	10.57	2/9/2019	
10.10	Form of 2021 Advance Auto Parts, Inc. Time-Based Restricted Stock Unit Award Agreement.	10-Q	10.1	6/2/2021	
10.11	Form of 2021 Advance Auto Parts, Inc. Performance-Based Restricted Stock Unit Award Agreement.	10-Q	10.2	6/2/2021	
10.12	Form of 2021 Advance Auto Parts, Inc. Nonqualified Stock Option Award Agreement.	10-Q	10.3	6/2/2021	
10.13	Form of 2022 Advance Auto Parts, Inc. Time-Based Restricted Stock Unit Award Agreement.	10-Q	10.2	5/24/2022	
10.14	Form of 2022 Advance Auto Parts, Inc. Performance-Based Restricted Stock Unit Award Agreement.	10-Q	10.3	5/24/2022	
10.15	Form of 2022 Advance Auto Parts, Inc. Nonqualified Stock Option Award Agreement.	10-Q	10.4	5/24/2022	
10.16	Form of 2023 Advance Auto Parts, Inc. Performance-Based Restricted Stock Unit Award Agreement under the 2014 Plan.	10-Q	10.3	6/6/2023	
10.17	Form of 2023 Advance Auto Parts, Inc. Performance-Based Restricted Stock Unit Award Agreement under the 2014 Plan (CEO).	10-Q	10.4	6/6/2023	
10.18	Form of 2023 Advance Auto Parts, Inc. Nonqualified Stock Option Award Agreement under the 2014 Plan.	10-Q	10.5	6/6/2023	

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
10.19	Advance Auto Parts, Inc. 2023 Omnibus Incentive Compensation Plan.	10-Q	10.1	6/6/2023	
10.20	Form of 2023 Advance Auto Parts, Inc. Time-Based Restricted Stock Unit Award Agreement under the 2023 Plan.	10-Q	10.6	6/6/2023	
10.21	Form of 2023 Advance Auto Parts, Inc. Performance-Based Restricted Stock Unit Award Agreement under the 2023 Plan.	10-Q	10.7	6/6/2023	
10.22	Form of 2023 Advance Auto Parts, Inc. Nonqualified Stock Option Award Agreement under the 2023 Plan.	10-Q	10.8	6/6/2023	
10.23	Advance Auto Parts, Inc. Deferred Compensation Program, as amended and restated effective January 1, 2021.	10-K	10.45	2/22/2021	
10.24	Description of Non-Employee Director Compensation.				X
10.25	Employment Agreement effective March 28, 2016 between Advance Auto Parts, Inc. and Thomas R. Greco.	10-Q	10.1	5/31/2016	
10.26	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	
10.27	Employment Agreement effective August 21, 2016 between Advance Auto Parts, Inc. and Robert B. Cushing.	10-K	10.50	2/28/2017	
10.28	First Amendment to Employment Agreement between Robert B. Cushing and Advance Auto Parts, Inc., dated April 12, 2023	10-Q	10.9	6/6/2023	
10.29	Employment Agreement effective September 17, 2018 between Advance Auto Parts, Inc. and Jeffrey W. Shepherd.	10-Q	10.1	11/13/2018	
10.30	Employment Agreement effective October 3, 2018 between Advance Auto Parts, Inc. and Reuben E. Slone.	10-K	10.53	2/9/2019	
10.31	Employment Agreement effective October 2, 2022 between Advance Auto Parts, Inc. and Herman Word, Jr.				X
10.32	Employment Agreement effective August 21, 2023 between Advance Auto Parts, Inc. and Shane M. O'Kelly.	8-K	10.01	8/23/2023	
10.33	Employment Agreement effective November 13, 2023 between Advance Auto Parts, Inc. and Ryan P. Grimsland.	8-K	10.01	11/15/2023	
10.34	Credit Agreement, dated as of November 9, 2021, 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	11/15/2021	
10.35	Guarantee Agreement, dated as of November 9, 2021, among Advance Auto Parts, Inc., the guarantors from time to time party thereto and Bank of America, N.A. as administrative agent for the lenders.	8-K	10.2	11/15/2021	
10.36	Amendment No. 1 to the Credit Agreement Dated as of February 27, 2023.	10-K	10.29	02/28/2023	
10.37	Amendment No. 2 to the Credit Agreement Date d as of August 21, 2023.	10-Q	10.1	8/23/2023	
10.38	Amendment No. 3 to the Credit Agreement Date d as of November 20, 2023	10-Q	10.5	11/21/2023	
10.39	Advance Auto Parts, Inc. Insider Trading Policy				X
10.40	Amendment No. 4 to the Credit Agreement Dated as of February 26, 2024	8-K	10.1	2/28/2024	
21.1	Subsidiaries of Advance Auto Parts, Inc.				X
22.1	List of Issuers and its Guarantor Subsidiaries.				X
23.1	Consent of Deloitte & Touche LLP.				X

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed
		Form	Exhibit	Filing Date	Herewith
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
104.1	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit).				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: March 12, 2024

By: /s/ Ryan P. Grimsland

Ryan P. Grimsland

Executive Vice President, Chief Financial 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>
<u>/s/ Shane M. O'Kelly</u>	President and Chief Executive Officer and Director	March 12, 2024
Shane M. O'Kelly	(Principal Executive Officer)	
<u>/s/ Ryan P. Grimsland</u>	Executive Vice President, Chief Financial Officer	March 12, 2024
Ryan P. Grimsland	(Principal Financial Officer)	
<u>/s/ Elizabeth E. Dreyer</u>	Senior Vice President, Controller and Chief Accounting Officer	March 12, 2024
Elizabeth E. Dreyer	(Principal Accounting Officer)	
<u>/s/ Eugene I. Lee, Jr.</u>	Chairman and Director	March 12, 2024
Eugene I. Lee, Jr.		
<u>/s/ Carla J. Bailo</u>	Director	March 12, 2024
Carla J. Bailo		
<u>/s/ John F. Ferraro</u>	Director	March 12, 2024
John F. Ferraro		
<u>/s/ Joan M. Hilson</u>	Director	March 12, 2024
Joan M. Hilson		
<u>/s/ Jeffrey J. Jones II</u>	Director	March 12, 2024
Jeffrey J. Jones II		
<u>/s/ Douglas A. Pertz</u>	Director	March 12, 2024
Douglas A. Pertz		
	Director	March 12, 2024
Gregory L. Smith		
	Director	March 12, 2024
Thomas W. Seboldt		
<u>/s/ Sherice R. Torres</u>	Director	March 12, 2024
Sherice R. Torres		
<u>/s/ Arthur L. Valdez Jr.</u>	Director	March 12, 2024
Arthur L. Valdez Jr.		
	Director	March 12, 2024
A. Brent Windom		

ARTICLE I
INTRODUCTION AND PURPOSE

The purpose of the Plan is to motivate and reward excellent performance, attract and retain outstanding talent and foster a strong link between achievement of the Company's strategic plan and compensation through cash incentive awards to eligible employees of the Company. This Plan replaces and supersedes any prior annual incentive plan for eligible Employees at the corporate level, including the Advance Auto Parts, Inc. 2017 Amended and Restated Executive Incentive Plan.

ARTICLE II
DEFINITIONS

For purposes of the Plan, the following terms shall have the following meanings:

(a) "Award" means an incentive award which, subject to such terms and conditions as may be prescribed by the Committee, entitles a Participant to receive a cash payment from the Company or a Subsidiary pursuant to Article IV.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute, and applicable regulations promulgated thereunder.

(d) "Committee" means the Compensation Committee of the Board or such other committee or subcommittee as may be designated by the Board consistent of no fewer than two "independent directors" within the meanings of applicable rules and regulations.

(e) "Company" means Advance Auto Parts, Inc., a Delaware corporation.

(f) "Employee" means any person who is employed by the Company or a Subsidiary.

(g) "Participant" means an Employee who is granted an Award under the Plan.

(h) "Performance Objective" is defined in Section 4.2.

(i) "Performance Period" is defined in Section 4.2.

(j) "Plan" means the this Advance Auto Parts, Inc. Executive Incentive Award Plan, as set forth herein and as amended from time to time.

(k) "Subsidiary" means any corporation (other than the Company), limited liability company, partnership, or other business organization of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

ARTICLE III

ELIGIBILITY

Awards may be granted to any Employee who is designated as a Participant from time to time by the Committee. The Committee shall determine which Employees shall be Participants and the terms, conditions, and limitations applicable to each Award not inconsistent with the Plan. Not all Employees are eligible to participate in the Plan. A Participant has no contractual right to Award. The Committee has discretion to determine whether a Participant will receive an Award and has discretion to determine the amount of the Award, if any. No Award will be paid until all conditions of payment are met. Designation by the Committee as a Participant for an Award in one period shall not confer on a Participant the right to participate in the Plan for any other period.

ARTICLE IV

INCENTIVE AWARDS

Section 4.1 General. Awards may be granted to a Participant in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee. The Committee, at the time an Award is made, shall specify the terms and conditions which govern the Award, which terms and conditions shall prescribe that the Award shall be earned only upon, and to the extent that, Performance Objectives as described in Section 4.2, are satisfied within a designated period. Different terms and conditions may be established by the Committee for different Awards and for different Participants.

Section 4.2 Performance Objectives. The vesting and payment of Awards shall be contingent upon the degree of attainment of such performance goals (the "Performance Objectives") over such period (the "Performance Period") as shall be specified by the Committee at the time the Award is granted, and the other conditions to payment described in Section 4.3 below. The Performance Objectives may be stated with respect to one or any combination of the following measures, or such other measures as determined by the Committee, based on the Company, a Subsidiary, or an operating unit: cash flow; free cash flow; earnings (including gross

margin, earnings before interest and taxes, earnings before taxes, earnings before interest, taxes, depreciation, amortization and charges for stock-based compensation, earnings before interest, taxes, depreciation and amortization, adjusted earnings before interest, taxes, depreciation and amortization and net earnings); earnings per share; growth in earnings or earnings per share; book value growth; stock price; return on equity or average stockholder equity; total stockholder return or growth in total stockholder return either directly or in relation to a comparative group; return on capital; return on assets or net assets; revenue, growth in revenue or return on sales; sales; expense reduction or expense control; expense to revenue ratio; income, net income or adjusted net income; operating income, net operating income, adjusted operating income or net operating income after tax; operating profit or net operating profit; operating margin; gross profit margin; return on operating revenue or return on operating profit; regulatory filings; regulatory approvals, litigation and regulatory resolution goals; other operational, regulatory or departmental objectives; budget comparisons; growth in stockholder value relative to established indexes, or another peer group or peer group index; development and implementation of strategic plans and/or organizational restructuring goals; development and implementation of risk and crisis management programs; workforce diversity, equity and inclusion goals; compliance requirements and compliance relief; safety goals; productivity goals; talent or people goals; workforce management and succession planning goals; economic value added (including typical adjustments consistently applied from generally accepted accounting principles required to determine economic value added performance measures); measures of customer or employee satisfaction or engagement; development or marketing collaborations, formations of joint ventures or partnerships or the completion of other similar transactions intended to enhance the Company's performance; merger and acquisitions; strategic goals or objectives (including objectives related to qualitative or quantitative environmental, social or governance matters); and other similar criteria as determined by the Committee. Performance Objectives applicable to an Award shall be determined by the Committee, and may be established on an absolute or relative basis and may be established on a corporate-wide basis or with respect to one or more business units, divisions, subsidiaries or business segments. Relative performance may be measured against a group of peer companies, a financial market index or other objective and quantifiable indices. Without limiting the Committee's authority hereunder, the Committee may make adjustments in the terms and conditions of, the criteria included in, and the performance results applicable to, Awards in recognition of extraordinary, unusual or nonrecurring events affecting the Company or the financial statements of the Company, changes in applicable laws, regulations, or accounting principles, or such other items or events, whenever the Committee determines, in its sole discretion, 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.

Section 4.3 Payment of Awards. Awards shall be made to Participants in a single lump sum in cash at a time determined by the Committee, but in no event later than two and one-half months after the end of the fiscal year in which the Performance Period ends. The Participant must be employed in good standing, and not have given notice of resignation to the Company or any Subsidiary or received notice of termination by the Company or

any Subsidiary, for any reason, and not be under investigation for misconduct on the Award payment date to receive payment of an Award hereunder. The actual amount of payment under an Award will be calculated by applying the degree of attainment of Performance Objectives. The Committee shall have sole discretion to determine whether and to what extent the Performance Objectives have been attained and the amount of the Award, if any, to be paid.

ARTICLE V
ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall have all of the powers necessary to enable it to properly carry out its duties under the Plan. Not in limitation of the foregoing, the Committee shall have the full power and discretionary authority to construe and interpret the Plan, to prescribe, amend and rescind any rules, forms or procedures as the Committee deems necessary or appropriate for the proper administration of the Plan, and to make any other determinations and take such other actions as the Committee deems necessary or advisable in carrying out its duties under the Plan. The Committee shall have such other and further specified duties, powers, authority, and discretion as are elsewhere in the Plan either expressly or by necessary implication conferred upon it. Any action required of the Committee under the Plan shall be made in the Committee's sole discretion and not in a fiduciary capacity. The Committee may appoint such agents, who need not be members of the Committee, as it may deem necessary for the effective performance of its duties, and may delegate to such agents such powers and duties as the Committee may deem expedient or appropriate that are not inconsistent with the intent of the Plan to the fullest extent permitted under applicable law. The decision of the Committee or any agent of the Committee upon all matters within the scope of its authority shall be final and conclusive on all persons. All Awards shall be awarded conditional upon the Participant's acknowledgement, by participating in the Plan, that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest in such Award.

ARTICLE VI
AMENDMENT AND TERMINATION

Section 6.1 Amendment of Plan. The Company has the right, at any time, to amend in whole or in part any of the terms and provisions of the Plan to the extent permitted by law for whatever reason(s) the Company may deem appropriate.

Section 6.2 Termination of Plan. The Company expressly reserves the right, at any time, to suspend or terminate the Plan in whole or in part to the extent permitted by law for whatever reason(s) the Company may deem appropriate, including, without limitation, suspension or termination as to any Subsidiary, Employee, or class of Employees.

Section 6.3 Procedure for Amendment or Termination. Any amendment to the Plan or termination of the Plan shall be made by the Company by resolution of the Committee and shall not require the approval or consent of any Subsidiary or Participant to be effective to the extent permitted by law. Any amendment to the Plan or termination of the Plan may be retroactive to the extent not prohibited by applicable law.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Rights of Employees. Status as an eligible Employee shall not be construed as a commitment that any Award will be made under the Plan to such eligible Employee or to eligible Employees generally. Nothing contained in the Plan (or in any other documents related to this Plan or to any Award) shall confer upon any Employee any right to continue in the employ or service of the Company or any Subsidiary or constitute any contract or limit in any way the right of the Company to change such person's compensation or other benefits or to terminate the employment or service of such person with or without cause.

Section 7.2 Unfunded Status. The Plan shall be unfunded. Neither the Company, any Subsidiary, the Committee, nor the Board shall be required to segregate any assets that may at any time be represented by Awards made pursuant to the Plan. Neither the Company, any Subsidiary, the Committee, nor the Board shall be deemed to be a trustee of any amounts to be paid under the Plan.

Section 7.3 Limits on Liability. Any liability of the Company or any Subsidiary to any Participant with respect to an Award shall be based solely upon contractual obligations created by the Plan. Neither the Company nor any Subsidiary nor any member of the Board or the Committee, nor any other person participating in any determination of any question under the Plan, or in the interpretation, administration, or application of the Plan, shall have any liability to any party for any action taken or not taken in good faith under the Plan. To the extent permitted by applicable law, the Company shall indemnify and hold harmless each member of the Board and the Committee from and against any and all liability, claims, demands, costs, and expenses (including the costs and expenses of attorneys incurred in connection with the investigation or defense of claims) in any manner connected with or arising out of any actions or inactions in connection with the administration of the Plan except for such actions or inactions which are not in good faith or which constitute willful misconduct.

Section 7.4 Code Section 409A. The Plan is intended to meet the short-term deferral exception under Code Section 409A such that payments made to Participants under the Plan are not deferred compensation subject to the provisions of Code Section 409A. If and to the extent that any payment under this Plan is deemed to be deferred compensation subject to the provisions of Code Section 409A, this Plan shall be administered so that such payments are made in accordance with the requirements of Code Section 409A, including the requirement that

any Award that is to be paid to a key employee (as defined below for this purpose) upon "separation from service" (within the meaning of such terms under Code Section 409A) shall be administered so that payment shall be postponed for six months following the date of the Participant's separation from service, if required by Code Section 409A. If payment is delayed pursuant to Code Section 409A, the payment shall be made within 30 days after the end of the six-month period. If the Participant dies during such six-month period, any postponed payments 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 Code Section 416(i) and the "specified employee" requirements of Code Section 409A.

Section 7.5 Withholding. The Company or Subsidiary that employs the Participant shall be entitled to withhold from any payment made under the Plan the full amount of any required federal, state, or local taxes. An Award may be reduced, to the extent permitted by law, in an amount equal to any sum owed by the employee to the Company for loans, credit cards, etc.

Section 7.6 Recoupment. Awards shall be subject to any applicable clawback or recoupment policies and other policies that may be implemented by the Board from time to time.

Section 7.7 Nontransferability of Benefits. A Participant may not assign, pledge or transfer any interest in an Award, nor shall any Award be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of a Participant. Notwithstanding the foregoing, upon the death of a Participant, the Participant's rights and benefits under the Plan shall pass by will or by the laws of descent and distribution.

Section 7.8 Successors. The Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns, and each Participant and his or her heirs, executors, administrators and legal representatives.

Section 7.9 Governing Law. To the extent not governed by federal law, the Plan shall be construed in accordance with and governed by the laws of the State of Delaware.

SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

Under our director compensation program, each non-management director receives annual compensation that is comprised of a combination of cash and equity-based compensation. Management directors do not receive any additional compensation for services as a director. Each non-management director receives an annual retainer of \$100,000 and additional applicable retainers or fees as set forth in the following paragraph.

Directors who chair Board committees receive additional retainer amounts annually for their committee chair responsibilities. The Audit Committee Chair receives \$25,000, the Compensation Committee Chair receives \$20,000, the Nominating and Corporate Governance Chair receives \$17,500 and the Finance Committee Chair receives \$17,500. The independent Board Chair (or the independent Lead Director in the event the Board Chair is not independent) receives an additional \$200,000 annual retainer. Members of the Succession Committee received \$5,000 per month of service (\$10,000 for the Chair) while such Committee was in service during 2023.

Each non-management director may elect to receive all or a portion of his or her retainer amounts on a deferred basis in the form of deferred stock units, or DSUs. Each DSU is equivalent to one share of our common stock. Dividends paid by us are credited toward the purchase of additional DSUs and are distributed together with the underlying DSUs. DSUs are payable in the form of common stock to participating directors over a specified period of time as elected by the participating director, or whenever their Board service ends, whichever is sooner.

In addition, each non-management director receives equity compensation valued at \$165,000 per year. The equity compensation is awarded annually in the form of DSUs, granted to directors shortly after the date of the annual stockholder meeting, and will be distributed in common shares after the director's service on the Board ends. Board members who are appointed at any time other than at the annual meeting receive a prorated DSU award with a grant value based upon the number of months from their election date until the next annual stockholder meeting. The annual grant of DSUs may vest pro-rata based upon the number of months the director has served during the current term in the event that a director's service as a member of the Board ends before May 1 of the calendar year following the Company's most recent annual meeting.

EMPLOYMENT AGREEMENT

This AGREEMENT (the "Agreement") dated as of **October 2, 2022**, is 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 **Herman L. Word, Jr.** (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, U.S. Stores and Carquest Independents** ("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 be considered to have commenced on **October 2, 2022** ("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. For purposes of clarification, the provision of an Employment Term does not change Executive's at will status as stated in Section 4(1) below nor does it entitle Executive to payment of any compensation if Executive's employment is terminated during the Employment Term, other than as specifically provided for below.

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, 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 \$575,000 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 be eligible to 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"), 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 eligible to participate in all retirement and employment benefit plans and programs of the Company that are generally available to senior executives of the Company. Executive may also receive long term incentive grants pursuant to the Company's long-term incentive program(s). 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 Amount 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 Advance Auto Parts 2014 Long-Term Incentive Plan, as amended, effective August 7, 2018 ("2014 LTIP" or "Advance's 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 Executive's 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(j)(ii). 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 Executive's 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(i)(ii). 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. The "Disability Termination Date" shall be the date on which the Company makes such determination of the Executive's Disability.

(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 Executive's 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 Consolidated Omnibus Budget Reconciliation 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(i)(ii) below.

(v) **Entire Obligation.** Except as provided in Subsection 4(i) 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 4(i) and 18 (to the extent such policies, guidelines and codes by their terms apply post-employment)). 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 Executive 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 resign from 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 (provided that a future transfer of oversight for the Independent business to someone other than the Executive, or a future reduction or discontinuation of the Independent business, shall not be a material diminution of 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 4U)(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 Amount in effect prior to any such material diminution of the Target Bonus Amount 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 4G)(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 4(i) and 18 (to the extent such policies, guidelines and codes by their terms apply post-employment)). 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(t)(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) **RC 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 QIA 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 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 Executive's 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 Executive's 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 Executive's 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 Executive 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 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.

(ii) **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 Executive, 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 Executive's 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, (iii) all rights that the Executive may have following the termination of Executive's 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 Executive's actions or inactions as an officer, employee and/or member of the Board, and (iv) claims which by law cannot be waived by signing this Agreement. 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(e).

(l) **Employment at Will.** The Company and Executive expressly understand and agree that nothing herein shall be construed as a guarantee of employment for any specific time, nor does it change the at will employment relationship. Either the Company or Executive may terminate the Executive's employment under this Paragraph 4 at will, for any or no reason, subject to compliance with the applicable post-termination obligations of each contained herein.

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.
4200 Six Forks Road
Raleigh, NC 27609
Attn: General Counsel

With a copy to:

Advance Auto Parts, Inc.
4200 Six Forks Road
Raleigh, NC 27609
Attn: Chief Executive Officer

If to the Executive:

Herman L. Word
1033 Linenhall Way
Wake Forest, NC 27587

or Executive's address currently on file in the Company's records if different from the above.

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 Executive 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 Executive 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. Upon separation of employment for any reason, 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. Upon separation of employment for any reason 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 separation of employment for any reason, 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 mobile device, tablet, 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. 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.

(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 Executive's 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, U.S. Stores and Carquest Independents, 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 employment, and for the period of 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 in any capacity in 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 Executive's 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.

(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(1) 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, [President, Stores]; (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.

19. **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.

20. **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.

EXECUTION VERSION

21. **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.

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

Advance Auto Parts, Inc.

By: /s/ Thomas R. Greco (SEAL)

Print Name: Thomas R. Greco

Title: President and Chief Executive Officer

Address: 4200 Six Forks Road, Raleigh, NC 27609

Executive

Name: Herman L. Word, Jr.

Signature: /s/ Herman L. Word, Jr.

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

EXECUTION VERSION

EXHIBIT A

TERMINATION CERTIFICATION

This is to certify that I do not have in my possession, nor have I failed to return, any Confidential Information, including but not limited to, 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)

EXECUTION VERSION

EXHIBIT B

LIST OF ASSOCIATIONS WITH RESTRICTED COMPANIES

__None

__Additional Sheets Attached

Signature of the Executive: /s/ Herman L. Word, Jr.

Print Name of the Executive: Herman L. Word, Jr.

Date: 2/21/2023

INSIDER TRADING POLICY

The following policy describes rules surrounding trading in the stock of Advance Auto Parts, Inc. (the "Company"), generally referred to as insider trading. The federal securities laws provide that an individual who possesses material, nonpublic information may not buy or sell the Company's securities or "tip" other persons to buy or sell the Company's securities. Individuals who trade on material, nonpublic information or tip the information to others may be subject to civil actions for damages, civil and criminal fines and a prison term of up to twenty years. A corporation that fails to take appropriate steps to prevent illegal trading by its insiders can be held liable as a controlling person, which can result in significant civil and criminal fines.

Accordingly, it is the Company's policy to prevent violations of these laws by the employees of the Company and its subsidiaries ("team members") and members of our board of directors, as well as prohibit trades that present even the appearance of impropriety. A summary of our insider trading compliance requirements is set forth below.

GENERAL

No team member or member of our board of directors may:

- Purchase or sell the Company's securities or recommend that another person place a purchase or sale order in the Company's securities while he or she is in possession of material, nonpublic information ("insider trading");
- Disclose material, nonpublic information about the Company to anyone outside the Company unless authorized to do so ("tipping"); or
- Assist anyone engaged in the above activities.

MATERIAL, NONPUBLIC INFORMATION

Material Information. Information is considered "material" if (1) a reasonable investor would consider the information important in making a decision on whether to buy, sell or hold the security; (2) a reasonable investor would view the information as significantly altering the total mix of information in the marketplace about the Company; or (3) the information could reasonably be expected to have a substantial effect on the price of the security.

There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material might include information about upcoming earnings or losses, negotiation of a joint venture, merger or acquisition, news of a significant sale of assets, changes in dividend policies, the declaration of a stock split, the offering of additional securities,



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changes in top management, the gain or loss of a substantial supplier, a change in the Company's pricing or cost structure, impending bankruptcy or the existence of severe liquidity problems, significant actual or potential cybersecurity incidents (e.g., a data breach or any other significant disruption in the Company's operations, or loss, potential loss, breach or unauthorized access of its property or assets, whether at its facilities or through its information technology infrastructure), significant accounting developments, and a change in auditors or notification that the auditor's reports may no longer be relied upon. Information may be material whether it is favorable or unfavorable to the Company.

When Information is Considered Public. Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through a press release, publication in a widely-available newspaper, magazine or news website, a Dow Jones "broad tape," newswire services or public disclosure documents filed with the Securities and Exchange Commission that are available on the SEC's website (such as Form 8-K, Form 10-Q and Form 10-K). By contrast, information would likely not be considered widely disseminated if it is available only to the Company's employees or directors, or if it is only available to a select group of persons, such as analysts, brokers and institutional investors. In addition, please be aware that disclosure on the Company's website, by itself, may not be considered wide dissemination.

Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until one full trading day has elapsed after the information is released. If, for example, you are aware of material nonpublic information (such as a significant corporate acquisition or financing transaction) and the Company were to make a public announcement of such event on a Thursday, then you may not trade in the Company's securities until Friday, if the news was released prior to the opening of the markets on Thursday, or the following Monday, if the news was released after the close of the markets on Thursday. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

TRADING WINDOW

The general prohibitions against insider trading and tipping apply to all team members and members of our board of directors at all times. Additional restrictions apply to certain groups of Company personnel. Trades in the Company's securities by directors and certain employees of the Company who are more likely to have access to material nonpublic information because of their positions or affiliations with the Company are more likely to be subject to greater scrutiny. As a result, directors and certain groups of employees (described below) may not engage in any transactions involving the Company's securities (other than as specified in this policy) except during an open trading window. A trading

window will open one full trading day after our quarterly release of earnings and will remain open for the succeeding four calendar weeks. Significant corporate developments may, on occasion, require changes to the designated trading window.

Members in Groups Two, Three or Four (as described below under “Additional Restrictions”) should refer to the General Counsel’s office Trading Calendar for more information; trading cannot occur on any day marked with red, and trading is open on any day marked with green.

ADDITIONAL RESTRICTIONS

The four groups into which we divide our personnel and the restrictions that apply to those groups are summarized below.

Group One. The vast majority of our team members are in Group One. These are team members who are not expected to have access to material, nonpublic information on a regular basis, or at all. Members of Group One are subject only to the general prohibitions against insider trading and tipping. Therefore, these employees will be prohibited from trading only when they are in actual possession of material, nonpublic information. General Managers, Commercial Account Managers are included in Group One.

Group Two. Group Two includes certain team members who we expect to have access to material, nonpublic information from time to time. In addition to the general prohibitions against insider trading and tipping, members of Group Two may purchase or sell the Company’s securities only during the trading windows described above. Group Two would generally include Advance District Managers, corporate/store support center personnel and field support personnel at the Director and Manager levels, administrative support personnel for team members at or above the Senior Vice President level, Commercial Sales Directors and Commercial Sales Managers.

Group Three. Group Three includes certain officers and other team members whose duties involve the handling of material, nonpublic information on a recurring basis. In addition to the general prohibitions against insider trading and tipping, members of Group Three (1) may only purchase or sell the Company’s securities during the trading windows described above and (2) are required to pre-clear all transactions in the Company’s securities with the General Counsel’s office (as described below under “Pre-Clearance Procedures”). Group Three would generally include all corporate/store support center personnel and field support personnel at or above the Vice President level, all in-house attorneys, administrative support personnel for members of our board of directors. Members of Group Three who decide to purchase or sell the Company’s securities are strongly encouraged to engage in such transactions as early as possible during a trading window because the earlier in a quarter a trade occurs, the less likely the individual will know of material, nonpublic information.

Group Four. Group Four includes members of our board of directors and our “Section 16” officers. Group Four will be subject to the same restrictions as apply to Group Three. In

addition, from time to time Group Four personnel may be notified separately of certain other trading restrictions and reporting requirements imposed by the federal securities laws. Members of Group Four who decide to purchase or sell the Company's securities are strongly encouraged to engage in such transactions as early as possible during a trading window because the earlier in a quarter a trade occurs, the less likely the individual will know of material, nonpublic information. Members of Group Four must also notify the General Counsel's office of all transactions of the Company's Securities in the manner described below under "Post Transaction Notice".

PRE-CLEARANCE PROCEDURES

Members of Group Three and Group Four may not engage in any transaction in the Company's securities (including gifts and transfers of securities for estate planning purposes) without first obtaining pre-clearance from the General Counsel's office. A request for pre-clearance should be submitted to the General Counsel's office at least two business days before the proposed transaction and shall comply with any other procedures established by the General Counsel's office. The General Counsel's office is under no obligation to approve a transaction submitted for pre-clearance and will have sole discretion to determine whether to permit the transaction. In evaluating each proposed transaction, the General Counsel's office may consult as necessary with senior management and outside counsel.

When a request for pre-clearance is made, the requesting person should carefully consider whether he or she may be aware of any material nonpublic information about the Company and should provide a detailed description of those circumstances to the General Counsel's office.

Pre-clearance does not, in any circumstance, relieve anyone of their legal obligation to refrain from trading while in possession of material nonpublic information. In other words, even if pre-clearance is received, if the requesting person becomes aware of material nonpublic information or becomes subject to a closed trading window or a special blackout period (discussed below), the transaction may not be completed. If a Group Three or Group Four member seeks pre-clearance and the request is denied, then he or she should refrain from engaging in any transaction in the Company's securities and should not inform any other person of the restriction. Pre-clearance of a transaction is valid only for the [three]-business day period immediately following receipt by the Restricted Person of such pre-clearance.

POST-TRANSACTION NOTICE

Members of Group Four (who are subject to the requirements of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) must notify the General Counsel's office of the occurrence of any purchase, sale, gift, transfer for estate planning purposes, or other acquisition or disposition of the Company's securities as soon as possible following the transaction, but in any event within one business day after the transaction. Such notification may be oral or in writing (including by e-mail) and should

include the type of transaction, the date of the transaction, the number of shares involved and the purchase or sale price.

For both the “Pre-Clearance Procedures” section above and this “Post-Transaction Notice” section, a purchase, sale or other acquisition or disposition shall be deemed to occur at the time the person or entity becomes irrevocably committed to it (for example, in the case of an open market purchase or sale, this occurs when the trade is executed, not when it settles).

OTHER PROVISIONS

Gifts. Bona fide gifts of securities (including transfers of Company securities made to trusts for estate planning purposes) are not transactions subject to this policy, unless the person making the gift has reason to believe that the recipient intends to sell the Company’s securities while the person making the gift is aware of material nonpublic information, provided that Group Three and Group Four members must pre-clear any such gift transaction in the manner specified under the “Pre-Clearance Procedures” section above, and Group Four members must report any such transaction in the manner described in the “Post-Transaction Notice” section above.

Special Blackouts. In addition to the normal trading windows, any team member, officer or member of our board of directors may also be temporarily prohibited from buying or selling the Company’s securities during a defined or undefined period of time, or “special blackout period.” A special blackout period may be imposed for any reason when warranted in the judgment of the Company. For instance, a special blackout period might be imposed on certain people during the negotiation of a sensitive agreement, the anticipated issuance of interim earnings guidance or if there is a pending announcement of a significant corporate development. The existence of a special blackout period may not be publicly announced or may be announced only to those who are aware of the transaction or event giving rise to the blackout period. If you are made aware of the existence of a special blackout period, you should not disclose the existence of such blackout period to any other person. Individuals that are subject to a special blackout period will be contacted when these periods are instituted.

Family members, dependents, etc. Each provision of this policy that applies to a team member or member of our board of directors also applies to (1) members of his or her immediate family or other persons with whom he or she shares a household, (2) persons who principally rely on the team member or director for financial support; and (3) any person or entity over whom the team member or director has control or influence with respect to securities transactions, such as a partnership in which the insider is a partner, an estate of which the insider is the executor or a trust of which the insider is a trustee.

Applicability of Policy to Former Insiders. This policy continues to apply to transactions of the Company’s securities even after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in the Company’s securities until that information has become

public or is no longer material. The pre-clearance procedures applicable to former Group Three and Group Four members specified under the heading “Pre-Clearance Procedures” above, however, will cease to apply to transactions in the Company’s securities upon the opening of the next normal trading window following such individual’s termination of service.

Short Sales; Derivative Securities; Hedging. Team members and members of our board of directors are prohibited from selling the Company’s stock short. There is also a general prohibition on purchasing or selling derivative securities, which are securities whose value varies in relation to the price of the Company’s securities. For example, derivative securities include exchange-traded put or call options, as well as individually arranged derivative transactions. In addition, team members and members of our board of directors may not enter into transactions that are used to hedge existing ownership positions in the Company’s securities, including through the use of financial instruments such as prepaid variable forward contracts, equity swaps, collars and exchange funds or other transactions which hedge or offset, or are designed to hedge or offset, any decrease in the market value of the Company’s securities.

Pledges; Margin Accounts. Team members and members of our board of directors may not hold the Company’s securities in margin accounts or pledge their Company securities as collateral. Securities held in margin accounts or pledged as collateral for a loan may be sold without your consent by the broker if you fail to meet a margin call or by the lender in foreclosure if you default on a loan. A margin or foreclosure sale that occurs when you are aware of material nonpublic information may, under some circumstances, result in unlawful insider trading.

Other companies. In addition to the restrictions on insider trading or tipping with respect to the Company’s securities, it is prohibited to trade in securities of any other company about which our team members or members of our board of directors learn material, nonpublic information in the course of performing their duties for the Company. It would also be advisable if those individuals in Group Three and Group Four did not trade in the securities of the Company’s competitors.

TRANSACTIONS UNDER COMPANY BENEFIT PLANS

Long-Term Incentive Plan; Stock Option Plan. This policy does not apply to the exercise of an employee stock option using cash or using shares of stock already owned by members of our board of directors or team members, but the prohibitions of this policy do apply to a cashless exercise of the option through a broker and sales of shares received upon exercise of an option or stock appreciation rights, regardless of whether such sale is to pay the exercise price or tax withholding. The policy does not prohibit the exercise of tax withholding rights pursuant to which an election is made to have the Company withhold shares to satisfy tax withholding requirements.

Employee Stock Purchase Plan. The trading prohibitions and restrictions of this policy do not apply to periodic contributions to the Company’s employee stock purchase plan which

are used to purchase the Company's securities pursuant to the team member's advance instructions; however, team members may not alter their instructions regarding the purchase or sale of the Company's securities in such plans while in the possession of material, nonpublic information or during any blackout period.

RULE 10b5-1 PLANS AND OTHER TRADING PLANS

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability. In order to be eligible to rely on this defense, a person subject to this policy must enter into a Rule 10b5-1 plan for transactions in Company Securities that meets certain conditions specified in the Rule (a "Rule 10b5-1 Plan") and such person must act in good faith with respect to the operation of a Rule 10b5-1 Plan. If the plan meets the requirements of Rule 10b5-1, the Company's securities may be purchased or sold without regard to certain insider trading restrictions. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information and at a time when trading is not otherwise restricted under this policy. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

To comply with this policy, a Rule 10b5-1 Plan must comply with and be operated in accordance with the conditions of Rule 10b5-1, including the following:

- Trades under the Rule 10b5-1 Plan may not commence until expiration of the "cooling-off period" set forth in Rule 10b5-1, which for Group Four members is the period consisting of the later of (i) 90 days after adoption of the Rule 10b5-1 Plan or (ii) two business days following the filing of the Company's Form 10-Q or Form 10-K for the completed fiscal quarter in which the Rule 10b5-1 Plan was adopted; and for all other team members is the period ending 30 days after the adoption of the Rule 10b5-1 Plan.
- The Rule 10b5-1 Plan must include representations that (i) the person is not aware of material non-public information about the Company or its securities; and (ii) the person is adopting the Rule 10b5-1 Plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5; and
- No person may have more than one Rule 10b5-1 Plan outstanding at any given time, unless otherwise permitted by the limited exceptions of Rule 10b5-1 (such as plans relating to "sell to cover" arrangements intended to satisfy tax withholding obligations upon the vesting of equity awards).

Group Three and Group Four members must have any new or amended Rule 10b5-1 Plan or any decision to terminate a Rule 10b5-1 Plan pre-approved by the General Counsel's office in accordance with the "Pre-Clearance Procedures" requirements set forth above.

Members submitting any Rule 10b5-1 Plan for approval should allow at least two weeks for review and approval by the General Counsel's office. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan is required; provided, however, that Group Four members (who have a reporting obligation under Section 16 of the Exchange Act) who sell Company securities through a Rule 10b5-1 Plan must comply with the requirements set forth in the "Post-Transaction Notice" section above.

Group Four members must also report the adoption, amendment or termination of any pre-set trading plan that is not a Rule 10b5-1 plan but was entered into at a time they asserted they were not aware of material non-public information about the Company or its securities.

COMPANY DISCIPLINE

Members of our board of directors or team members who violate this policy may be subject to disciplinary action by the Company, up to and including termination for cause or request to tender resignation from the board of directors. A violation of the Company's policy is not necessarily the same as a violation of law and we may determine that specific conduct violates the policy, whether or not the conduct also violates the law.

Team members and members of our board of directors with questions regarding the policy should contact the General Counsel's office.

Adopted by Board of Directors of Advance Auto Parts, Inc. August 7, 2023

Advance Auto Parts, Inc.
Subsidiaries of the Registrant
As of December 30, 2023

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, LLC	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
Neuse River Insurance Company, Inc.	Utah

List of the Issuer and its Guarantor Subsidiaries

As of December 30, 2023, the following subsidiaries of Advance Auto Parts, Inc. (the "Issuer") guarantee the 5.90% senior unsecured notes due March 9, 2026 (the "2026" Notes), and the 1.750% senior unsecured notes due October 1, 2027 (the "2027 Notes"), and the 5.95% senior unsecured notes due March 9, 2028 (the "2028" Notes), and the 3.90% senior unsecured notes due April 15, 2030 (the "2030 Notes") and the 3.50% senior unsecured notes due March 15, 2032 (the "2032 Notes"), each issued by the Issuer:

Entity	Jurisdiction of Incorporation or Organization	2026 Notes	2027 Notes	2028 Notes	2030 Notes	2032 Notes
Advance Auto Parts, Inc.	Delaware	Issuer	Issuer	Issuer	Issuer	Issuer
Advance Stores Company, Incorporated	Virginia	Guarantor	Guarantor	Guarantor	Guarantor	Guarantor

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-274224 on Form S-3, Post-Effective Amendment on Registration Statement Nos. 333-196240, and 333-115772 on Form S-8, and Registration Statement Nos. 333-272497 and 333-272495 on Form S-8 of our reports dated March 12, 2024, 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 the Annual Report on Form 10-K of the Company for the year ended December 30, 2023.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
March 12, 2024

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shane M. O'Kelly, 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: March 12, 2024

/s/ Shane M. O'Kelly

Shane M. O'Kelly

President and Chief Executive Officer and
Director

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ryan P. Grimsland, 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: March 12, 2024

/s/ Ryan P. Grimsland

Ryan P. Grimsland

Executive Vice President, Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shane M. O'Kelly, 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 30, 2023 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: March 12, 2024

By: /s/ Shane M. O'Kelly

Name: Shane M. O'Kelly

Title: President and Chief Executive Officer and Director

I, Ryan P. Grimsland, 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 30, 2023 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: March 12, 2024

By: /s/ Ryan P. Grimsland

Name: Ryan P. Grimsland

Title: Executive Vice President, Chief Financial Officer