STARBOARD VALUE®

Unlocking Value

Advance Auto Parts®

September 30, 2015

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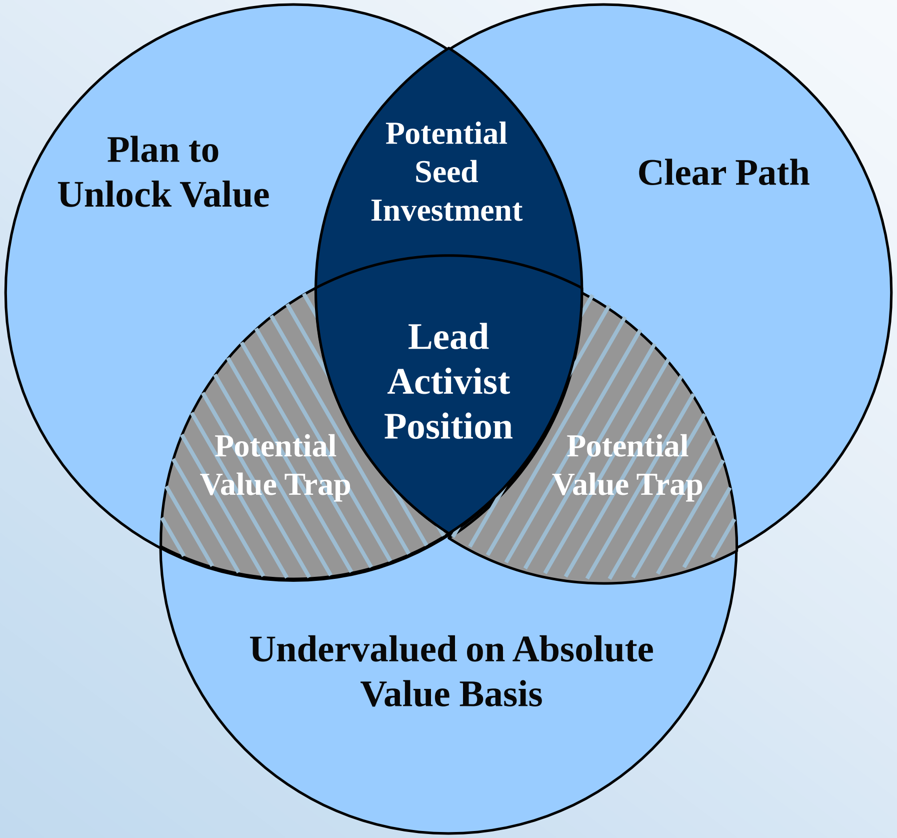
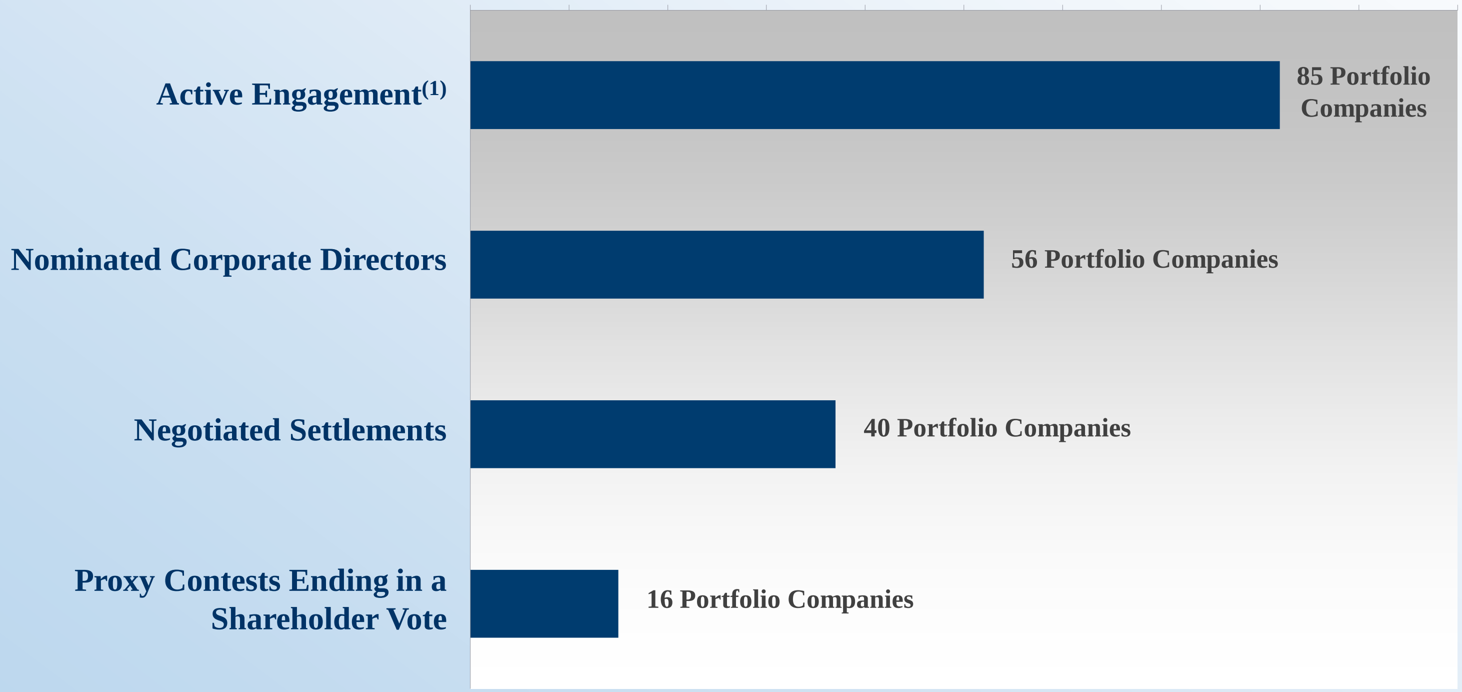
Starboard Value Strategy: Proven & Repeatable Approach



Value, Plan, Path

Starboard Value: Statistics Since 2004

Real Changes Create Real Value for Shareholders



Result: Placed Approximately 142 Corporate Directors on 45 Boards

(1) Active Engagements are all companies with respect to which Starboard has either filed a 13D or, if below the 13D threshold, then nominated directors.

Current price:

$171.40

We believe Advance Auto Parts could be worth:

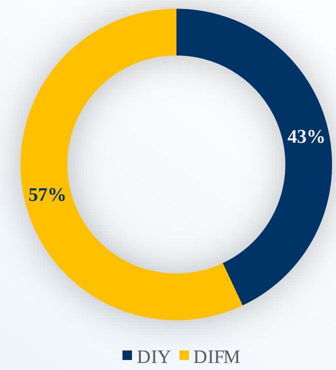
>$350.00

Note: Price as of September 28, 2015.

Company Overview

Advance Auto Parts, Inc. ("AAP" or the "Company") is a specialty retailer of aftermarket automotive replacement parts, accessories, batteries, and maintenance items.

- AAP serves two main business segments:
  - **Commercial (DIFM): 57% of sales**
    - AAP distributes aftermarket parts to independent service stations.
    - Highly dependent on delivery speed, inventory optimization, and relationship management.
  - **Retail (DIY): 43% of sales**
    - AAP sells replacement automotive parts, accessories, and other products directly to retail consumers through more than 5,000 brick & mortar storefronts.



AAP Operates Under 4 Primary Banners

Advance Auto Parts	Just under 4,000 retail stores focused on both DIY and DIFM sales
CARQUEST	1,063 company-operated and 1,325 independently-owned stores servicing primarily DIFM customers
WORLDPAC	117 branches distributing high-end import parts
AUTOPART INTERNATIONAL	182 stores specializing in private label import parts

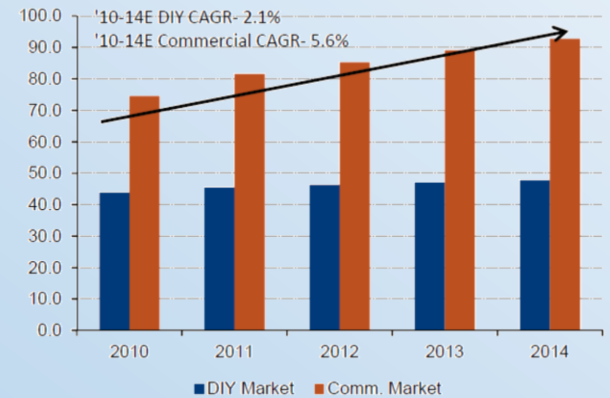
AAP is well-positioned in an attractive industry

Favorable Industry Dynamics

The industry benefits from favorable tailwinds, with both DIY and DIFM benefiting from aging cars and increasing miles driven.

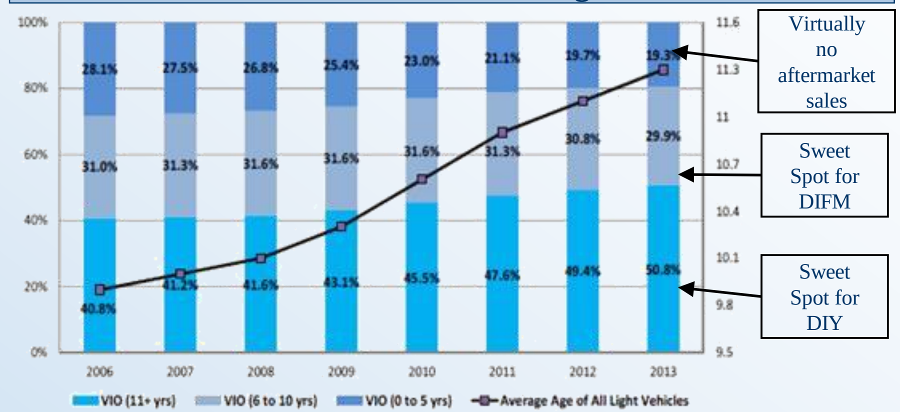
- Although quarterly sales can be impacted by weather, longer-term trends are tied primarily to the average age of cars and miles driven.
- While both DIY & DIFM are expected to grow over time, DIFM, where AAP specializes, will grow at a faster rate due to a shift in consumer preferences / demographics and the increasing technological complexity of automobiles.

Strong Industry Growth Rates



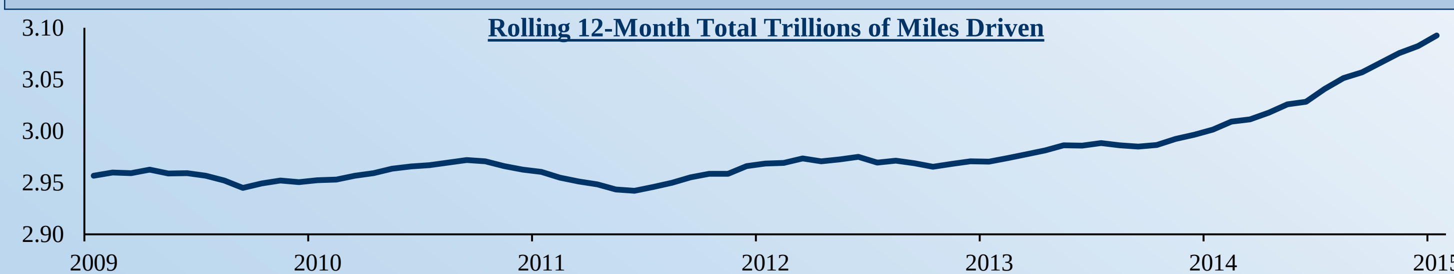
Source: AIAA Factbook, BofA Merrill Lynch Global Research estimates

Favorable Vehicle Age



Source: Morgan Stanley.

Miles Driven



Source: Federal Reserve Economic Data.

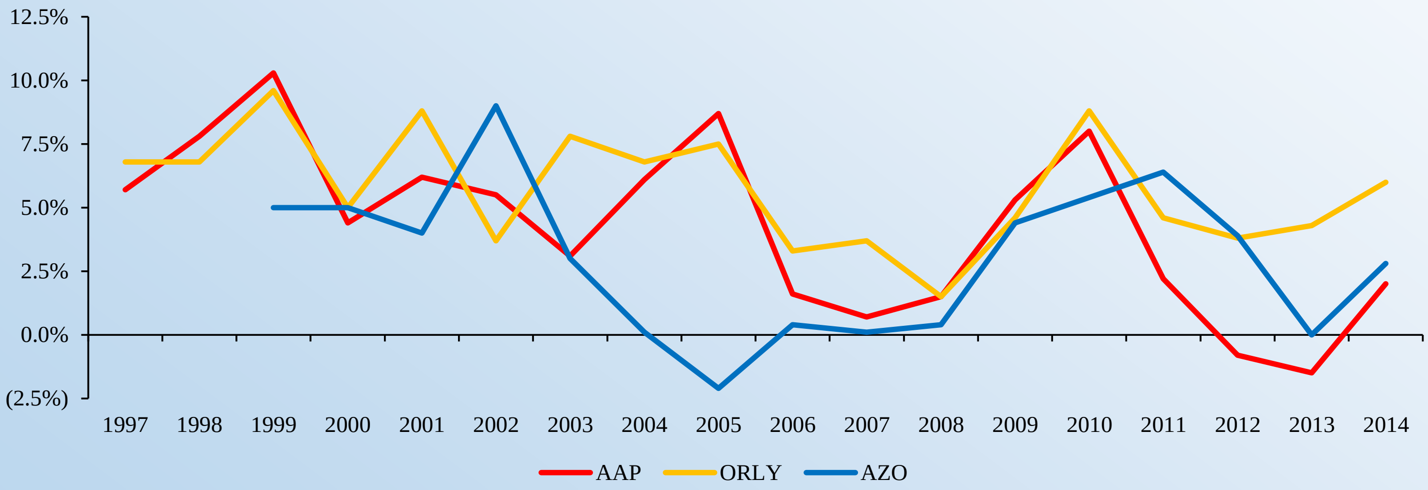
The macro landscape will continue to benefit AAP

Favorable Industry Dynamics (cont'd)

The industry is stable and performs well even during cyclical downturns.

- The aftermarket auto parts industry has limited cyclicality or correlation to the economy.
  - In a recession, auto parts retailers can actually benefit as consumers defer purchases of new cars and attempt to extend the life of existing cars
    - DIY in particular benefits as consumers try to save money by fixing cars themselves
  - It is worth noting that **AAP, O'Reilly, and AutoZone all had positive SSS through the 2007-2009 recession.**
    - In fact, as far back as data are available (the 1990s), AAP, O'Reilly, and AutoZone have had a *total* of just 3 annual SSS declines, with the worst being a 2.1% decline by AutoZone in 2005.

Annual SSS Growth



Advance benefits from a highly stable and growing industry

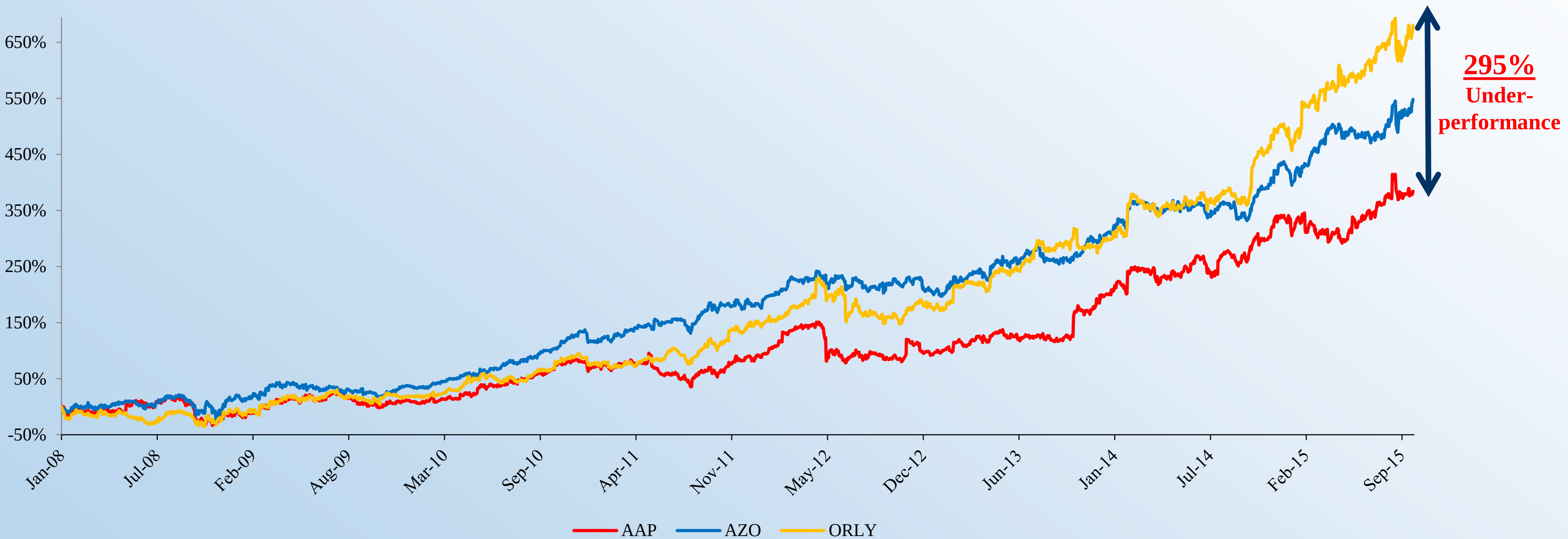
Source: CapIQ. Data reflects Fiscal Year performance.

Substantial Long-Term Underperformance

AAP has materially underperformed its closest peers over an extended period of time.

- Extremely favorable industry fundamentals have driven all industry stocks higher, but…
- …AAP has **failed to capitalize on these tailwinds** to generate the outperformance of its closest peers, O'Reilly and AutoZone.

Stock Price Performance since 2008



AAP has underperformed peers dramatically

Source: Capital IQ.
(1) As of September 28, 2015, adjusted for dividends.

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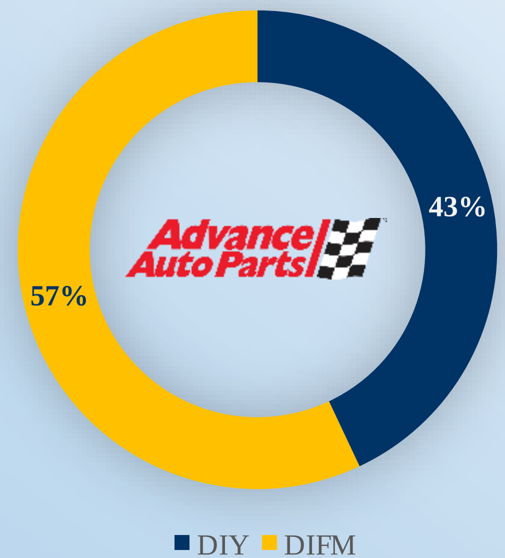
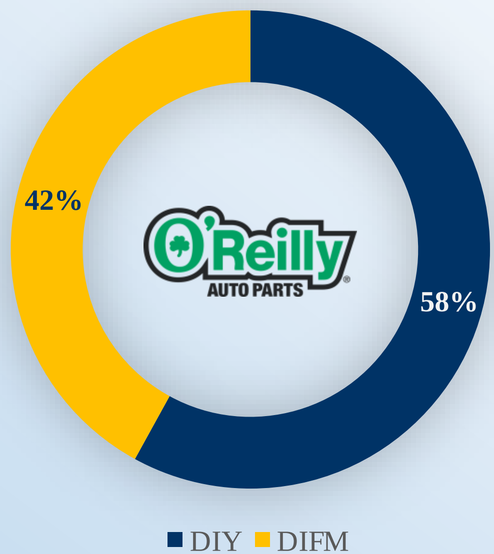
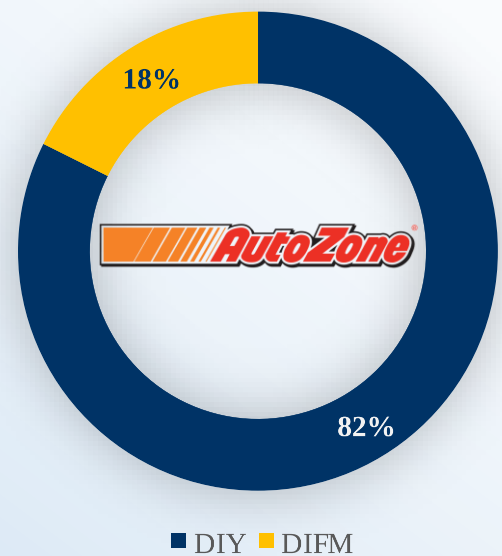
Peer Mix Comparison

AAP's mix is now slanted towards DIFM, which is expected to sustain strong growth moving forward.

- AAP and O'Reilly both get a substantial portion of sales from commercial installers, while AutoZone gets the vast majority of its sales from retail.
- The Carquest acquisition was vital in moving AAP's mix towards commercial.







2015 Revenue:	~$10bn	~$8bn	~$10bn

With the right strategy and execution, AAP will be well positioned to capitalize on favorable market trends

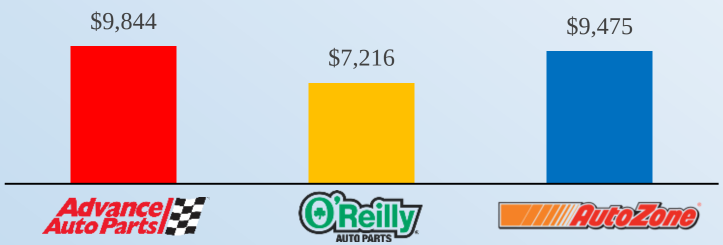
Peer Margin Comparison

AAP's margins are well below both of its key peers', highlighting significant improvement potential.

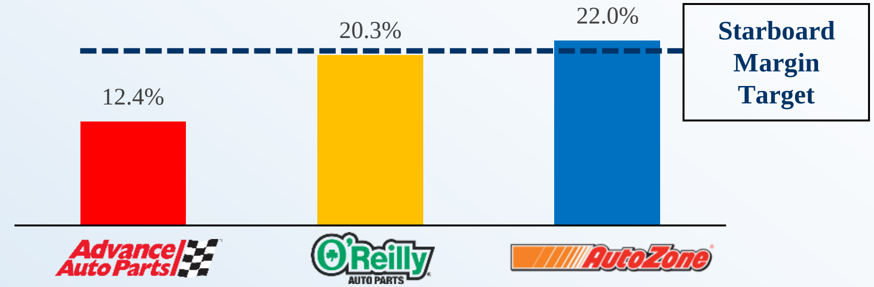
- Despite this margin improvement opportunity, AAP also trades at a significant discount to both AZO and ORLY.

FY 2014 Comparison

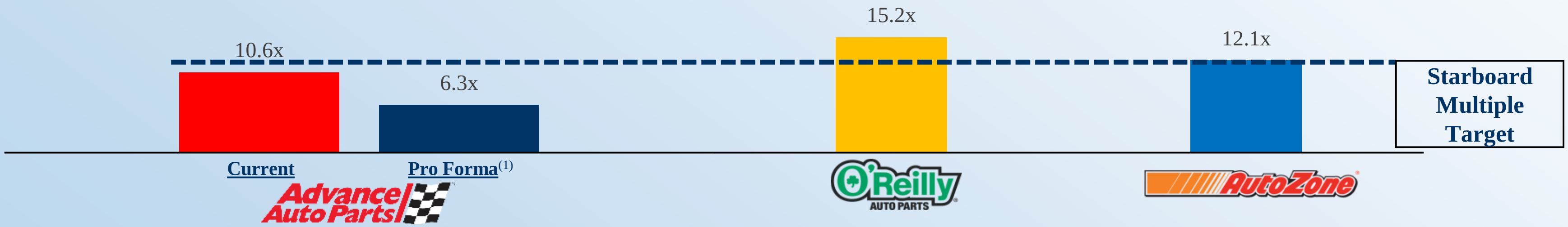
Revenue



EBITDA Margin



Relative Valuation (EV/ 2015 EBITDA)



- Since AAP's mix is slanted more towards the higher growth DIFM market, one would expect AAP to trade at a premium multiple compared to its more DIY-focused peers.

Based on Starboard's margin improvement plan, AAP trades at <u>less than half of ORLY's EV / EBITDA multiple</u>

Source: Bloomberg. Market data as of September 28, 2015.
(1) Includes $750 million EBITDA improvement and $1 billion working capital improvement.

Investment Thesis

AAP has substantially underperformed peers on almost any measure, including operating margins, revenue growth, and total shareholder return.

- Our investment thesis is built around four key elements:

1. Comprehensive operating improvements that include:
   - A. Increasing margins by at least **600-750bps**, partially closing the margin gap to O'Reilly and AutoZone
   - B. Reshaping the distribution and supply chain strategy to allow AAP to accelerate growth in the key DIFM segment
   - C. Substantial working capital improvements that could generate $1 billion or more in cash
2. Unlocking value for Worldpac, an underappreciated asset in the AAP portfolio
3. Returning capital to shareholders through a substantial dividend and/or buyback program
4. Pursuing further industry consolidation

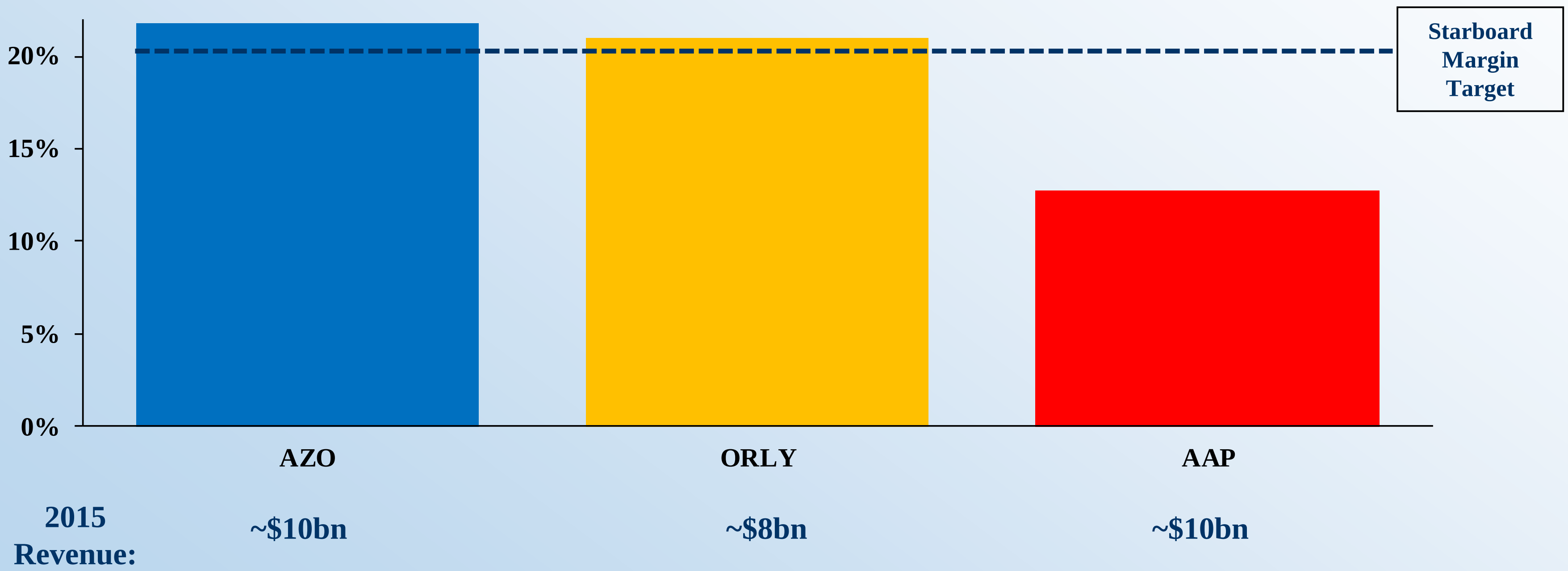
AAP has numerous opportunities for substantial value creation

1A Margin Improvement Opportunity

AAP's EBITDA margins trail peers O'Reilly and AutoZone by 800bps and 900bps, respectively.

- We believe that the vast majority of this difference is due to operational execution, rather than structural differences.
  - It is worth noting that a small portion of the gap is due to AAP's slightly lower real estate ownership; however, we believe AAP has other factors, including industry-leading scale, that should give it an advantage over time.

LTM EBITDA Margins Substantially below Peers



We believe AAP can close the vast majority of this margin gap

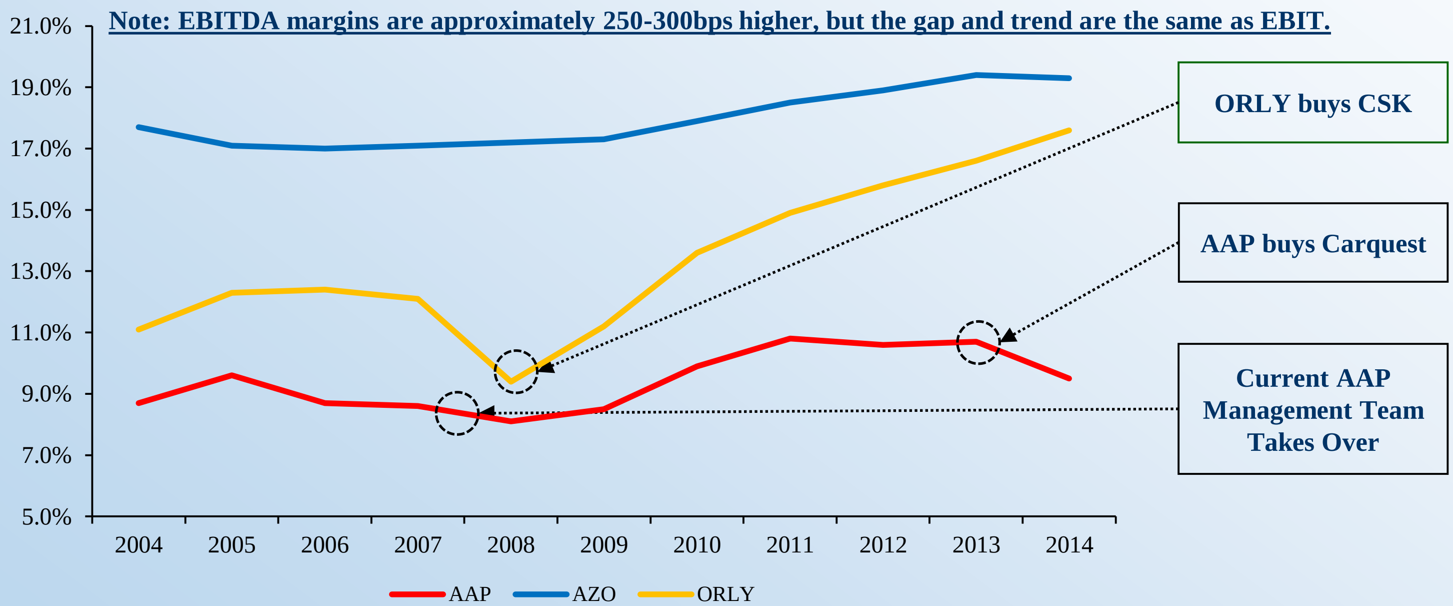
Source: Bloomberg, Public filings.

1A Margin Improvement Opportunity (cont'd)

The margin gap versus key peers has increased over time.

- In 2008, AAP and O'Reilly were in similar positions, far behind leader AutoZone.
- Since that time, O'Reilly has dramatically improved margins while AAP's margins have stagnated.
- **O'Reilly's margins are now expected to be in-line with AutoZone, and are still increasing, while AAP's are well-below these levels, despite having greater scale.**

EBIT Margin Gap Increasing under Current Management



AAP has fallen behind, and we have a plan to put AAP's performance on par with O'Reilly and AutoZone

Source: Bloomberg.

1A Margin Improvement Opportunity (cont'd)

Our plan would improve margins by at least 600-750bps through a series of operating initiatives.

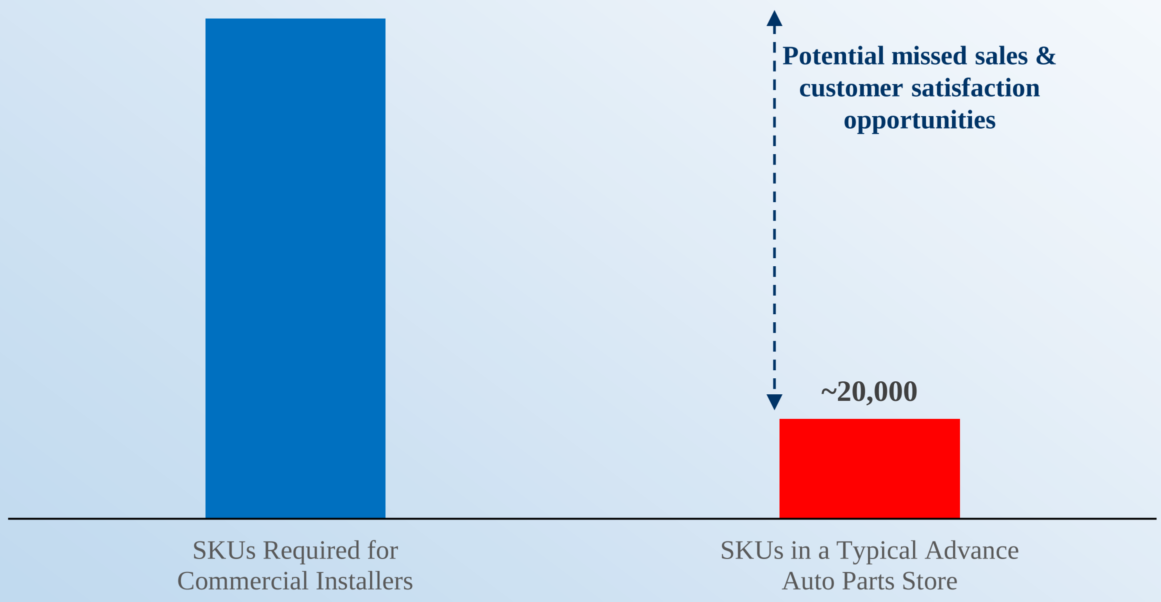
- Right-size AAP's overhead structure.
- Conform the store and field labor models to best practices developed by peers.
  - This includes both the structure and incentives used to drive profitable sales.
- Improve sourcing, merchandising, and selling of both branded and private label products.
- Ensure conservative synergy estimates from Carquest acquisition are met or exceeded.
  - These synergies were announced at the time of the acquisition, more than 18 months ago, and were expected to be achieved over 3 years
  - With the acquisition of Carquest, AAP is now the largest player in the industry and has the opportunity to use its scale to drive substantial improvements.
- Management has already begun working on initiatives targeted at reaching a 12% EBIT margin in 2016 (equivalent to ~15% EBITDA margin) and has hinted at additional opportunities beyond that. We believe that realistic improvement opportunities exist to achieve targets **far beyond management's plan**.

The majority of the improvements will come from implementing best practices well-established by O'Reilly or AutoZone

1B Distribution Improvement Opportunity

AAP can drive growth through improvements to inventory and supply chain management, increasing product availability and service quality for potential customers.

- In the DIFM segment, by far the most important point of differentiation is **speed of service**, which is dependent primarily on inventory and supply chain management.



Under AAP's current distribution strategy, massive potential sales are left on the table due to products that cannot be delivered in the required timeframe

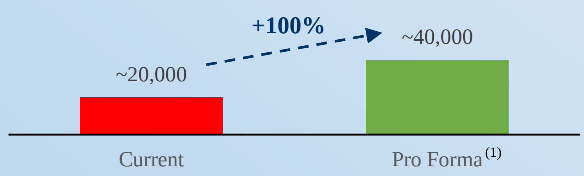
1B Distribution Improvement Opportunity (cont'd)

The best way to ensure the maximum number of critical parts is in stock without requiring stores to carry excessive depth of inventory is to provide daily replenishment from distribution centers.

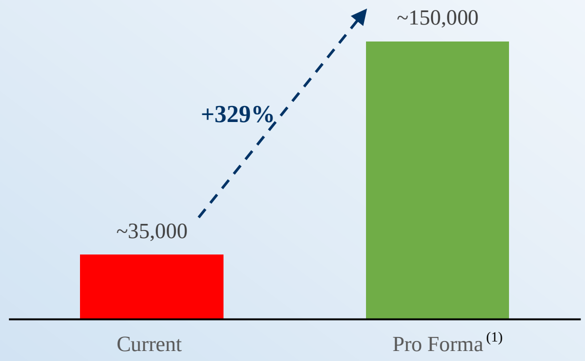
National Daily Distribution System:	O'Reilly Auto Parts	Advance Auto Parts	AutoZone
	✓	✗	*DIY-Focused*

- With the acquisition of Carquest, **AAP now has the distribution infrastructure to provide daily replenishment to stores.**

SKUs Available Same-Day



SKUs Available Next-Day



Moving to a distribution model similar to O'Reilly's will allow AAP to significantly increase SSS growth, while leveraging existing boxes & infrastructure to further improve margins

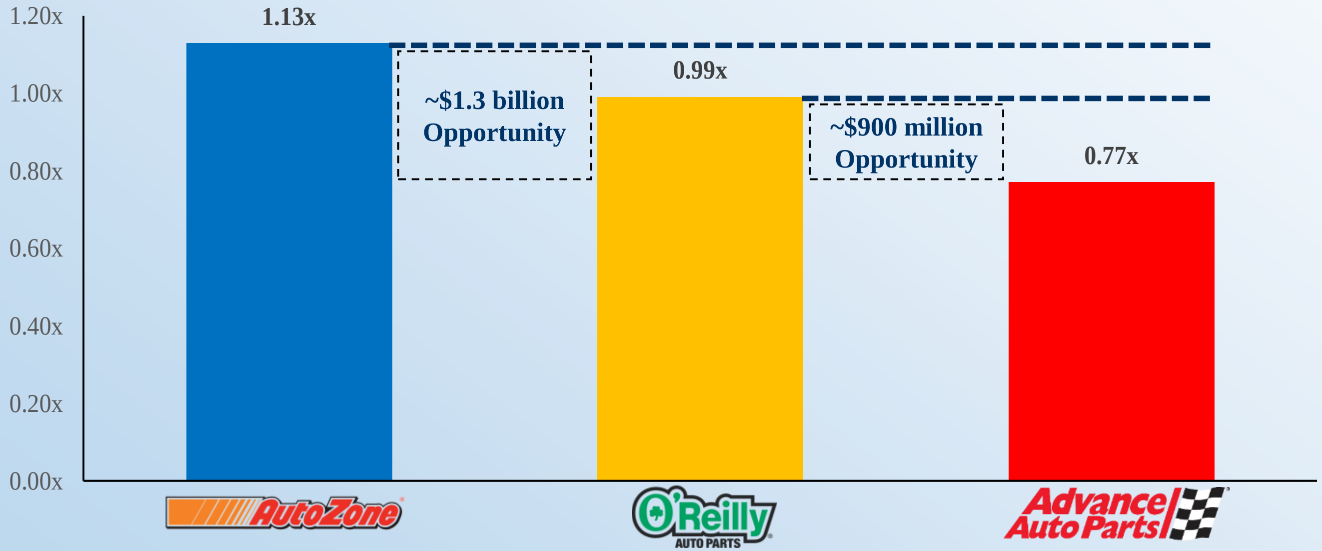
Source: Public filings.
(1) Pro forma based on ORLY product availability.

1C Working Capital Improvements

In addition to sales & margin improvement opportunities, AAP can improve returns on capital and generate substantial additional cash flow through working capital improvements.

- Beginning with AutoZone, auto parts retailers have been able to standardize extended payables terms that significantly reduce capital intensity.
  - AAP's Payables/Inventory ratio lags peers significantly, creating an opportunity to **reduce invested capital by more than $1 billion**.

Payables / Inventory Ratio Significantly Below Peers



We also see a substantial opportunity to reduce capital intensity

Source: Public filings.

2 Realize Value for Worldpac

Worldpac, acquired as part of the Carquest acquisition, is an underappreciated asset.

- Worldpac distributes commercial parts primarily for high-end import cars.
- It currently has **~$1 billion in sales** through just 100 locations, and we believe it can **double its revenue over 5 years**.
  - Average sales per store of ~$10 million, compared to ~$600,000 for a typical AAP store.
- Locations are generally larger than typical Advance stores, with an average of ~30,000 square feet.

Given its super-premium market positioning and well-above industry average growth potential, Worldpac would likely sell for or trade at a premium multiple.

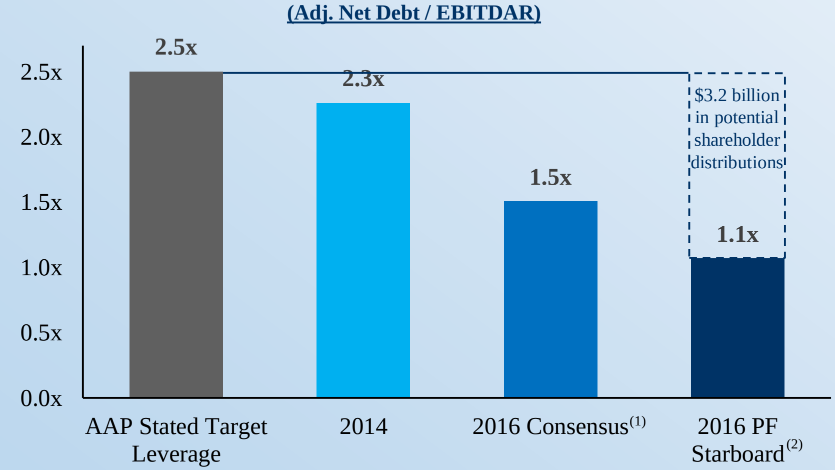
Source: Public filings.

3 Return Capital to Shareholders

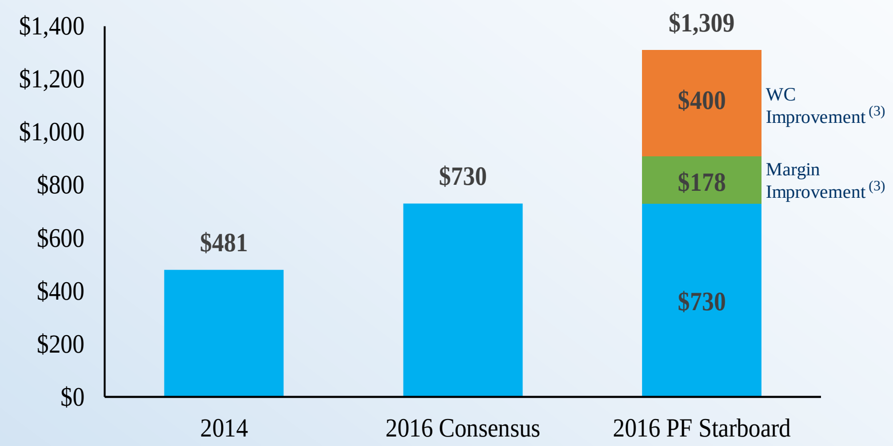
AAP has substantial capacity to return capital to shareholders through dividends or a buyback program.

- The aftermarket auto parts industry is recession-resistant, and AAP could easily support additional leverage in order to fund a large dividend or buyback.
- AAP's ongoing free cash flows could also support a large recurring dividend or share buyback program.

AAP Has the Ability to Increase Leverage



AAP Has the Ability to Increase Cash Flow



- Moreover, AAP owns ~$1.5 billion of real estate, which could potentially be monetized to create additional value. We have not included any additional upside from real estate in our targets.

A buyback or increased dividend will amplify the value creation opportunities at AAP

Source: Public filings, Bloomberg.
(1) Assumes $1.4 billion in EBITDA and $730 million in FCF before share repurchases.
(2) Assumes $2.2 billion in EBITDA and $1.3 billion in FCF before share repurchases.
(3) Reflects only the impact of Starboard operating and working capital improvements that would be realized in 2016.

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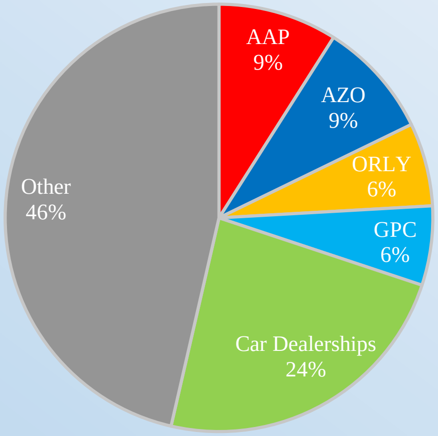
4 Consolidation Opportunities

There are substantial consolidation opportunities, particularly in the key DIFM market.

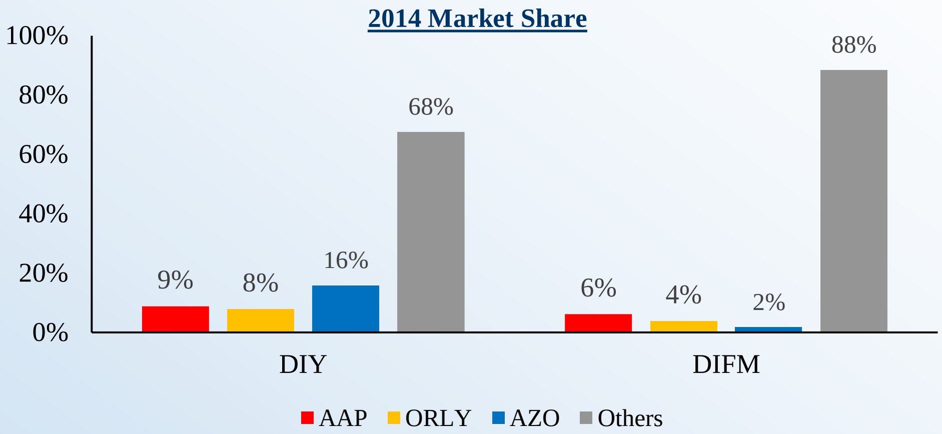
- Although AAP, AutoZone, O'Reilly, and NAPA have grown tremendously, **they still represent just 30% of the total aftermarket auto parts industry**.

Big 4 Account for Just 30% of Industry Sales…



Source: Morgan Stanley; 2013 Market Share.

…And the Commercial Market is Even More Fragmented



Source: Bank of America Merrill Lynch.

- Numerous mom-and-pops and mid-sized regional chains across the country represent potential roll-up opportunities.
- In DIFM in particular, which is essentially a logistics business, economies of scale and density of routes is critical, making further consolidation highly strategic.

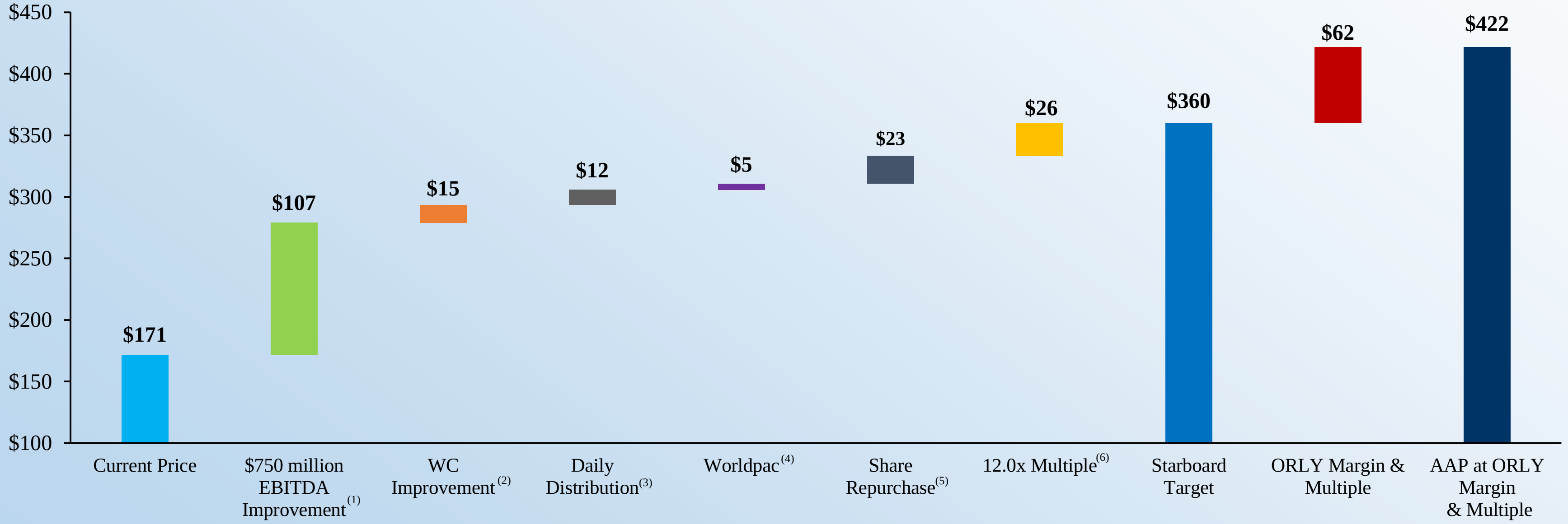
Given substantial market fragmentation, further consolidation represents a significant value creation opportunity; however, it will require financial discipline and a proven ability to execute in order to take advantage of these opportunities

Significant Potential Upside

If AAP achieves our goals for operational improvements and monetization of non-core assets, significant upside exists.

- Based on our plan, AAP could be worth **~$360 per share**, more than double today's price.
- If AAP achieves ORLY's level of profitability and trades at ORLY's multiple, the implied price is in excess of **$420 per share**.

Substantial Upside in AAP Stock



Starboard believes AAP could be worth in excess of $350 per share

Source: Bloomberg.
(1) PF 2015 Margins of 20.9%, still below expected 2015 margins of 21.5% for ORLY and 21.8% for AZO.
(2) Assumes $1 billion improvement, well below AZO's current ratios.
(3) Includes 5% SSS improvement for 2 years at a conservative 15% flow-through.
(4) Assumes 14.5x multiple on estimated Worldpac and Autopart International EBITDA.
(5) Assumes $1 billion share repurchase at average price of $200 per share. This compares to a $3.3 billion opportunity by the end of FY2016, as discussed on slide 20.
(6) Compares to current AAP multiple of 10.6x, versus ORLY at 15.2x and AZO at 12.1x.

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