IN THE UNITED STATES DISTRICT COURT
DISTRICT OF DELAWARE

________________________, Individually and On Behalf of All Others Similarly Situated, Plaintiff, vs. ADVANCE AUTO PARTS, INC., THOMAS R. GRECO and THOMAS OKRAY Defendants.	Case No.: CLASS ACTION COMPLAINT **JURY TRIAL DEMANDED**

Plaintiff ____________ ("Plaintiff") alleges the following based upon the investigation of Plaintiff's counsel, which included, among other things, a review of defendants' public documents, conference calls and announcements, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Advance Auto Parts, Inc. ("Advance Auto" or the "Company") and securities analysts' reports and advisories about the Company. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of purchasers of the securities of Advance Auto, who purchased or otherwise acquired Advance Auto securities between November 14, 2016 and August 15, 2017, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Advance Auto is a leading automotive aftermarket parts provider in North America that serves professional installers, independently-owned operators, and "do-it-yourself" retail customers. The Company's stores sell, among other things, original equipment

manufacturer and private label automotive replacement parts, accessories, batteries, and maintenance items for automotive vehicles.

3. On May 24, 2017, Advance Auto reported disappointing first quarter fiscal 2017 financial and operational results, including a quarterly sales decrease of 3.0%. Additionally, the Company reported a quarterly decrease in gross profit, "primarily driven by investments in the customer, inventory optimization efforts and supply chain expense deleverage due to the comparable store sales decline." Further, Advance Auto reported that its quarterly comparable store sales had declined 2.7%. Following this news, shares of the Company's stock declined $7.64 per share, or over 5.4%, to close on May 24, 2017 at $133.02 per share.

4. Then on August 15, 2017, Advance Auto reported disappointing second quarter fiscal 2017 financial and operational results and disclosed that "[c]omparable store sales for the quarter were flat." Further, and with respect to full-year fiscal 2017 financial and operational guidance, the Company: (i) decreased its comparable store sales guidance from 0 – 2% growth to negative 3 – 1% ***decline***; (ii) decreased its adjusted operating income rate guidance from a 15 – 35 basis point year-over-year improvement to a 200 – 300 basis point year-over-year ***reduction***; (iii) decreased its free cash flow guidance by $100 million; and (iv) increased its "integration and transformation" guidance from approximately $30 – 35 million to approximately $100 – 150 million. Following this news, shares of the Company's stock declined an additional $22.24 per share, or over 20.3%, to close on August 15, 2017 at $87.08 per share.

5. The Complaint alleges that, throughout the Class Period, defendants failed to disclose material adverse facts about the Company's financial well-being, business relationships, and prospects. Specifically, defendants failed to disclose or indicate that: (i) integration issues

surrounding the Company's Carquest acquisition resulted in systemic inefficiencies and cannibalization of sales; and (ii) increased competition was negatively impacting sales.

6. As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class Members suffered damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

9. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b).

10. In connection with the acts, conduct and other wrongs alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce.

PARTIES

11. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Advance Auto securities at artificially inflated prices during the Class Period and has been damaged thereby.

12. Defendant Advance Auto is a Delaware corporation with its principal executive offices located at 5008 Airport Road, Roanoke, Virginia. Advance Auto may be served via its registered agent, National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware.

13. Defendant Thomas R. Greco ("Greco") was, at all relevant times, the Company's President and Chief Executive Officer ("CEO").

14. Defendant Thomas Okray ("Okray") was, at all relevant times, the Company's Chief Financial Officer ("CFO").

15. Defendants Greco and Okray are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Advance Auto's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and misleading.

SUBSTANTIVE ALLEGATIONS

Background

16. Advance Auto is a leading automotive aftermarket parts provider in North America that serves professional installers, independently-owned operators, and "do-it-yourself" retail customers. The Company's stores sell, among other things, original equipment manufacturer and private label automotive replacement parts, accessories, batteries, and maintenance items for automotive vehicles.

17. On January 2, 2014, Advance Auto announced that it had completed the acquisition of General Parts International, Inc. ("General Parts"). According to Advance Auto's press release announcing the closing of the acquisition, General Parts was "a leading privately held distributor and supplier of original equipment and aftermarket replacement products for commercial markets operating under the CARQUEST and WORLDPAC brands." Through the acquisition of General Parts, Advance Auto added to its operations "38 General Parts distribution centers, 1,248 company operated CARQUEST locations across the US and Canada," and the servicing of "approximately 1,400 independently owned CARQUEST locations primarily in the US and Canada." Additionally, Advance Auto added WORLDPAC, "a leading importer and distributor of original equipment and quality aftermarket replacement automotive parts to import specialists in North America and Puerto Rico operating 105 facilities across the US and Canada," as part of the acquisition. At the time of the General Parts' acquisition, Advance Auto's then-CEO stated:

> We are excited about the completion of this transaction and the opportunity it presents for our customers and the over 70,000 team members. This combination positions Advance as the largest automotive aftermarket provider of parts, accessories, batteries, and maintenance items in North America. Strategically it provides us with a compelling opportunity to expand our geographical presence, channels of distribution, and commercial capabilities to better serve customers and deliver value to shareholders.

18. On August 25, 2016, Advance Auto filed a Form 10-Q Quarterly Report with the SEC. Therein the Company discussed its ongoing integration of Carquest as follows:

> The Company approved plans in June 2014 to begin consolidating its Carquest stores acquired with General Parts International, Inc. ("GPI") on January 2, 2014 as part of a multi-year integration plan. As of July 16, 2016, 294 Carquest stores acquired with GPI had been consolidated into existing Advance Auto Parts stores and 231 stores had been converted to the Advance Auto Parts format. In addition, the Company has completed the consolidation and conversion of the remaining stores that were acquired with B.W.P. Distributors, Inc. ("BWP") on December 31, 2012 (which also operated under the Carquest trade name), as of July 16, 2016. During the twelve weeks ended July 16, 2016 a total of 28 Carquest stores

> were consolidated and 45 Carquest stores were converted. During the twenty-eight weeks ended July 16, 2016 a total of 117 Carquest stores were consolidated and 72 Carquest stores were converted. Plans are in place to consolidate or convert the remaining Carquest stores over the next few years. As of July 16, 2016, the Company had 696 stores still operating under the Carquest name.

Materially False and Misleading
Statements Issued During the Class Period

19. On November 14, 2016, the Company issued a press release to report its third quarter fiscal 2016 (ended October 8, 2016) financial and operational results. Therein the Company reported quarterly diluted earnings per share ("EPS") of \$1.53 and adjusted EPS of \$1.73. The press release further reported:

> Total sales for the third quarter decreased 2.0% to \$2.25 billion, as compared with total sales during the third quarter of fiscal 2015 of \$2.30 billion. The sales decline was driven by the comparable store sales decrease of 1.0%, the store closures in 2015 and the effect of Carquest store consolidations. The sales decline was partially offset by new store and Worldpac branch openings.
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> The Company's Gross Profit rate was 43.9% of sales during the third quarter as compared to 45.0% during the third quarter last year. The 104 basis-point decrease in gross profit rate was primarily the result of higher supply chain expenses and headwinds associated with reducing inventory levels.
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> On a GAAP basis, the Company's SG&A rate was 35.3% of sales during the third quarter as compared to 36.0% during the same period last year. The 70 basis-point decrease was primarily due to lower integration and restructuring related costs during the third quarter compared to last year. Excluding this impact, the Company's Adjusted SG&A rate was essentially flat year-over-year reflecting the Company's continued cost reduction initiatives partially offset by investments in customer service initiatives. The Company's Adjusted SG&A rate was 34.3% of sales during the third quarter as compared to 34.4% during the same period last year.
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> On a GAAP basis, the Company's operating income during the third quarter was \$193.8 million, a decrease of 5.7% versus the third quarter of fiscal 2015. On a GAAP basis, the Operating Income rate was 8.6% during the third quarter as compared to 9.0% during the third quarter of fiscal 2015. The Company's Adjusted Operating Income was \$217.6 million during the third quarter, a decrease of 10.8% versus the third quarter of fiscal 2015. As a percentage of sales, Adjusted Operating Income in the third quarter was 9.7% versus 10.6% during the third quarter of fiscal 2015.

> Operating cash flow decreased approximately 21.3% to $409.4 million through the third quarter of fiscal 2016 from $520.1 million through the third quarter of fiscal 2015. Free cash flow was $205.2 million through the third quarter of fiscal 2016 compared to $358.9 million through the third quarter of fiscal 2015. Capital expenditures through the third quarter of fiscal 2016 were $204.2 million as compared to $161.2 million through the third quarter of fiscal 2015.

20. With respect to the Company's quarterly results, as well as outlook, Advance Auto's November 14, 2016 press release contained the following statements from defendant Greco:

> "Our third quarter results reflect progress in driving our top line as the initiatives and investments we are making to stabilize and improve our sales performance began to take hold. While we delivered sequential improvement, our results are not where we want them to be and we remain relentlessly focused on taking the actions necessary to improve our execution and generate positive comparable sales performance," said Tom Greco, President and Chief Executive Officer.
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> Greco continued, "As we execute against our strategy to deliver more consistent, improved performance over the long term, we have sharpened our attention on sales execution, consistent availability and delivering on the needs of our customer with every interaction. We are confident this is the right path forward."

21. Also on November 14, 2016, Advance Auto held an earnings conference call with investors and financial analysts. During that conference call defendant Greco stated:

> We'll start by providing a brief recap of the third quarter results, and then we'll transition to an overview of our Strategic Business Plan. We've been developing this over the past several months.
>
> With that, let's get right into it. Our comp store performance in Q3 was down 1% as our initiatives to improve top line performance began to have an impact. While we delivered sequential improvement versus previous quarters, let me be clear, we will be relentless in our pursuit of positive comp sales.
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> * * *
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> For certain, the industry continues to benefit from an increase in vehicles in operation, an increase in average age of vehicles, an increase in older vehicles, and an increase in average miles driven per year. These industry fundamentals will drive strong growth for the industry for years to come.
>
> In addition to industry fundamentals, [Advance Auto] is well positioned to gain market share.

*   *   *

> I think we're very focused on driving at what the customer wants. The input metrics that we've identified for our organization have been narrowed significantly. So, the number of things our field organization is focused on is down to a much more manageable lift and I think that our cadence, which we go through every week to look at how we're performing against those key input metrics that are customer facing, are resulting in, relatively speaking, improved sales performance. And in terms of the customers – getting the customers back, I think we're already getting customers back. We track how many customers we sell to every single week. So I know the absolute number of Professional customers we're selling to by week and we know exactly where our opportunities are and we're getting the customers back we need to get back.

22. Similarly, during the Company's November 14, 2016 earnings conference call defendant Okray stated:

> The opportunities Tom [Greco] and Bob [Cushing] discussed to deliver improved results are familiar to me. I'm used to putting the customer first always. And I know we can drive accelerated sales growth and margin expansion included in our plan.
>
> Turning to the financial impact of our plan. For 2017, we will deliver positive sales comp growth and a modest increase in operating margin. By 2021 our plan delivers mid-single digit comp sales and at least 500 basis points of margin expansion. As Tom previously discussed, we're building a platform to enable sustainable growth and operating leverage. To achieve that goal, we've worked backwards from the customer and balanced our efforts to achieve growth, reduce costs and efficiencies throughout the organization.

23. On February 21, 2017, the Company issued a press release to report its fourth quarter fiscal 2016 (ended December 31, 2016) financial and operational results. Therein the Company reported quarterly diluted EPS of $0.84 and adjusted EPS of $1.00. The press release further reported:

> Total sales for the fourth quarter increased 2.4% to $2.08 billion, as compared with total sales during the fourth quarter of fiscal 2015 of $2.03 billion. The sales increase was driven by the comparable store sales growth of 3.1%, inclusive of the positive impact of the year-over-year comparable benefit from holiday timing and new store and Worldpac branch openings partially offset by the store closures and Carquest store consolidations. Total sales for fiscal 2016 were $9.57 billion compared to fiscal 2015 of $9.74 billion.

> The Company's Gross Profit rate was 43.6% of sales during the fourth quarter as compared to 44.7% during the fourth quarter last year. The 114 basis-point decrease was primarily driven by previously capitalized supply chain costs flowing through the income statement and reducing gross profit as a result of the planned reduction of inventory levels. The Company's Gross Profit rate was 44.5% of sales for fiscal 2016 as compared to 45.4% for fiscal 2015.
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> On a GAAP basis, the Company's SG&A rate was 38.5% of sales during the fourth quarter as compared to 39.8% during the same period last year. The 128 basis-point decrease was primarily due to lower integration and restructuring related costs during the fourth quarter compared to last year. Excluding this impact, the Company's Adjusted SG&A rate was 37.5% of sales during the fourth quarter as compared to 37.0% during the same period last year. The 58 basis-point increase in Adjusted SG&A was primarily driven by ongoing customer focused investments. On a GAAP basis, the Company's SG&A rate was 36.3% of sales for fiscal 2016 as compared to 36.9% during the same period last year. The Company's Adjusted SG&A rate was 35.1% of sales during fiscal 2016 as compared to 35.2% during the same period last year.
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> On a GAAP basis, the Company's Operating Income during the fourth quarter was $106.1 million, an increase of 5.4% versus the fourth quarter of fiscal 2015. On a GAAP basis, the Operating Income rate was 5.1% during the fourth quarter as compared to 5.0% during the fourth quarter of fiscal 2015. The Company's Adjusted Operating Income was $125.6 million during the fourth quarter, a decrease of 20.3% versus the fourth quarter of fiscal 2015. As a percentage of sales, Adjusted Operating Income in the fourth quarter was 6.0% versus 7.7% during the fourth quarter of fiscal 2015. For fiscal 2016, the Company's GAAP Operating Income rate was 8.2% versus 8.5% during fiscal 2015. For fiscal 2016, the Company's Adjusted Operating Income was 9.4% versus 10.2% during fiscal 2015.
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> Operating cash flow decreased approximately 27.4% to $500.9 million in fiscal 2016 from $689.6 million in fiscal 2015. Free cash flow was $241.3 million in fiscal 2016 compared to $454.9 million in fiscal 2015. Capital expenditures in fiscal 2016 were $259.6 million as compared to $234.7 million in fiscal 2015.

24. With respect to the Company's quarterly results, as well as outlook, Advance Auto's February 21, 2017 press release contained the following statements from defendant Greco:

> "We are pleased with the sequential improvement in our sales performance and positive comparable sales for the quarter. Our top line progress is a direct reflection of sustained investment in the customer. Our stronger sales execution and improved availability enabled us to serve our customers better," said Tom Greco, President and Chief Executive Officer.

> Greco continued, "Our bottom line in the quarter reflects a planned inventory reduction along with sustained investments in the customer to accelerate top line growth. Our first priority is to deliver an outstanding experience for our customers and deliver consistent top line performance. We fully expect to balance our top and bottom line performance over time as we offset investments with a robust productivity agenda."

25. Additionally, the Company's February 21, 2017 press release provided Advance Auto's "2017 Full Year Assumptions" to investors as follows:

New Stores	75 to 85 new stores including Worldpac branches
Comparable Store Sales	0% to 2%
Adjusted Operating Income Rate	15 to 35 basis points improvement
Income Tax Rate	37.5% to 38.0%
Integration & Transformation Expenses	Approximately $30 million to $35 million
Capital Expenditures	Approximately $250 million
Free Cash Flow	Minimum $400 million
Diluted Share Count	Approximately 74 million shares

26. Also on February 21, 2017, Advance Auto held an earnings conference call with investors and financial analysts. During that conference call defendant Greco stated:

> As we closed out our fiscal year we accelerated growth, building momentum from the previous quarter, and delivering comp sales growth of 3.1%; our strongest quarterly comp performance in the 12 quarters post the GPI acquisition. We're taking decisive actions to improve performance and better serve our customers, and I'm confident we're on the right track.
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> * * *
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> So going forward, our overarching focus is clear: we're going to put the customer first, we're always going to do that, and our goals remain clear. And we plan to accelerate sales growth to above the industry average, and we're going to close the margin gap versus our competition. So to achieve it, we're evolving the culture of the company to one that's excessively focused on the customer and one with an exceedingly high level of accountability, ownership, and drive for results.

> So we're really excited about 2017. We'll be working with a high level of urgency to deliver on our objectives, and we look forward to updating you again on our progress next quarter.

27. Additionally, during the Company's February 21, 2017 earnings conference call defendant Okray stated:

> Now, turning our attention to the full year outlook for 2017. We expect to deliver comparable store sales in the range of 0% to 2% and an adjusted operating margin increase between 15 basis points to 35 basis points for the year. Notably, our full year adjusted operating margin expansion estimate also includes new inflationary pressures and expected cost increases in 2017 that either did not exist or were not material for us in 2016.

28. The statements contained in ¶¶19–27 were materially false and misleading when made because defendants failed to disclose or indicate that: (i) integration issues surrounding the Company's Carquest acquisition resulted in systemic inefficiencies and cannibalization of sales; and (ii) increased competition was negatively impacting sales.

<u>The Truth Begins to Emerge</u>

29. On May 24, 2017, the Company issued a press release to report its first quarter fiscal 2017 (ended April 22, 2017) financial and operational results. Therein the Company reported quarterly diluted EPS of $1.46 and adjusted EPS of $1.60. The press release further disclosed the following:

> The sales decrease of 3.0% was primarily driven by the comparable store sales decline of 2.7%, which reflects the sequential timing impacts from the fourth quarter related to the shift in holiday timing, the seasonal demand shifts that occurred between quarters together with overall industry macro headwinds, partially offset by positive first quarter growth at Worldpac.
>
> The Company's Gross Profit rate decrease was primarily driven by investments in the customer, inventory optimization efforts and supply chain expense deleverage due to the comparable store sales decline.
>
> The Company's SG&A increase was in-line with Company expectations and reflects the incremental customer focused investments and expense deleverage due to the comparable store sales decline. In contrast to the first quarter of 2016, which included the impact of aggressive cost reduction actions that negatively

> impacted customer service, the Company is refocusing its priorities to put the customer first and is reinvesting to restore and enhance critical customer capabilities.
>
> Overall, the Company's Operating Income decline was primarily driven by investments in the customer, expense deleverage due to the comparable store sales decline and inventory optimization efforts as outlined.
>
> Operating cash flow decreased approximately 60.3% to $35.1 million through the first quarter of 2017 from $88.4 million through the first quarter of 2016. Free cash flow was negative $30.2 million through the first quarter of 2017 compared to negative $0.7 million through the first quarter of 2016 primarily driven by lower sales, partially offset by lower capital expenditures of $65.3 million versus $89.1 million in 2016.

30. With respect to the Company's quarterly results, as well as outlook, Advance Auto's May 24, 2017, press release contained the following statements from defendant Greco:

> "Our first quarter comparable store sales declined 2.7%. As expected, comparable store sales were unfavorably impacted by the shift in New Year's Day to the first quarter of 2017 as well as the significant shift of winter related demand into December. These factors pulled sales forward into the fourth quarter of 2016 and reduced comparable store sales in the first quarter. Taking into account these shifts and normalizing for their impact across the 28 week period including the fourth quarter of 2016 and first quarter of 2017, we delivered positive sequential improvement in comparable store sales performance of approximately 70 basis points versus the third quarter of 2016. This steady improvement demonstrates that we are making progress to improve our top line performance by taking decisive and consistent actions across the organization as we refocus the company on the customer," said Tom Greco, President and Chief Executive Officer.
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> Greco continued, "As in the past several quarters, our operating margin reflects our deliberate choices to restore investments in the customer and improve overall service and delivery. In addition to making these critical customer investments, we are increasing and accelerating our initial gross productivity target of $500 million over 5 years to $750 million over 4 years. While some of this cost benefit will be used to fund growth initiatives, much of it will drive margin improvement. Our sustained focus on the customer will position us to deliver sequential top line improvement in comparable store sales and improved profitability as our productivity agenda accelerates in the second half of 2017."

31. Also on May 24, 2017, Advance Auto held an earnings conference call with investors and financial analysts. During that conference call defendant Greco stated:

> In Q1, our comp store sales performance was down 2.7%. This result reflects the impact of a series of factors we anticipated in Q1, as well as short-term headwinds that were not planned. These headwinds impacted the entire industry in Q1.
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> *   *   *
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> The sequential improvement we've delivered in recent quarters demonstrates we're making real progress. At the same time, we were not immune to the macro headwinds within the industry, which resulted in unexpected substantially softer consumer demand in the middle of Q1, as reflected in the publicly available data. This timeframe was worse than expected and resulted in a slow start to the spring selling season.
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> *   *   *
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> Our steadily improving sales performance reflects the impact of decisive and consistent actions we've taken across three areas of focus giving us confidence going forward: first, our priority to put the customer first is permeating the organization. It has been and will continue to be the key driver for consistent, top line growth; second, our sustained investments in availability, customer service, and our frontline is strengthening execution and engagement; and third, better execution throughout our supply chain is driving increased fill rates, higher in-stocks, and reduced order-to-delivery time. Together, this is resulting in a better experience for customers in both professional and DIY.
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> *   *   *
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> [W]e delivered an adjusted operating margin rate of 7.1% and adjusted EPS of $1.60. Taking all this into account, we remain confident with the progress we're making as we execute our plan and expect sales and customer momentum to continue with more operating leverage as we enter the back half of 2017.
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> We're performing well relative to our primary input metrics as the beginning and end of the quarter was in line with expectations. Unfortunately, the middle of the quarter was below plan, as was broadly experienced across the industry. We also believe the sales softness was short-term in nature given recent trends.
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> *   *   *
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> What we showed in November was our goal is to perform above the industry average in terms of sales growth and to expand margins significantly from where they are today. That stands as we sit here today.

32. During the May 24, 2017 conference call the Individual Defendants also responded to questions from investors and financial analysts. For example, during the

conference call defendant Greco engaged in the following conversation with an analyst from Credit Suisse:

> **[ANALYST]:** I just wanted to clarify on the guidance. Did you guys actually update the comps or EBIT margin targets you laid out previously?
>
> **[GRECO]:** So let me step back from this one … and provide some context. Our approach is to provide guidance once a year and consistent with our focus on operating for the long-term, we're not going to provide regular updates as a matter of course. The long-term outlook for the industry remains very, very compelling for us and we remain focused on executing the key elements of our transformation plan.
>
> With respect to 2017, while Q1 had a weak patch in the middle of the quarter that impacted the entire industry, we've actually seen improved trends over the last several weeks. And based on this, we expect a more normalized environment for the rest of year.
>
> And our investments in the customer are clearly having an impact and with our productivity initiatives kicking in, in the back half of the year, we feel all of this will drive significantly improved results.

33. Similarly, during the May 24, 2017 conference call defendant Greco engaged in the following conversation with an analyst from Wolfe Research:

> **[ANALYST]:** I was hoping to dig in on the supply chain. One, I'm kind of working the assumption that your three businesses, WORLDPAC, AI, and Advance are kind of three disparate businesses with three disparate customers, so I get the sense that from DC to store there's probably geographic synergies from stem miles, stuff like that. But wondering – I guess, first question is would you agree with my assessment of three different disparate customers and then two, is there an opportunity to improve stem miles from store to customer, synergizing these three businesses?
>
> **[GRECO]:** … I mean, we're – with Leslie [Keating] coming on, we're taking a very different step back on the supply chain, again, starting with the customer.
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> She's actually conducted or our team has conducted a series of interviews with customers to better understand the needs. We spend a lot of time on DIY consumer insights last year, professional customer insights last year we're augmenting that this year to really make sure we understood we're delivering against what the customer wants
>
> She's also looking at it end-to-end okay. So we aren't looking at discrete parts of our supply chain. We're looking at the entirety of the Supply Chain because a lot

> of times in supply chain, you can reduce costs in one area and increase it in another area. So it's really an end-to-end look at it.
>
> As part of that, we have – she would say, we would say, Bob [Cushing] would say, all of us would say, we have significant inefficiencies in our current supply chain. We have many nodes, many assets. Obviously our stores operate its fulfillment centers as you know. So taking a step back and looking at the entirety of our Supply Chain and the seamless movement of parts across it is something that is very much on the agenda.

34. Following the partial disclosures contained in ¶¶29–33, shares of the Company's stock fell $7.64 per share, or over 5.4%, to close on May 24, 2017 at $133.02 per share, on heavy trading volume.

35. Again, however, the defendants continued to mislead investors. Accordingly, the statements contained in ¶¶29–33 were materially false and misleading when made for the same reasons as those detailed in ¶28, *supra*.

36. On August 15, 2017, Advance Auto issued a press release to report its second quarter fiscal 2017 (ended July 15, 2017) financial and operational results. Therein the Company reported quarterly diluted EPS of $1.17 and adjusted EPS of $1.58. The press release further disclosed the following:

> Total sales for second quarter came in at $2.26 Billion, a 0.3% increase vs. the prior year period. Comparable store sales for the quarter were flat.
>
> The Company's Gross Profit margin decreased 91 basis points year over year to 43.9%. The decline was primarily driven by the non-cash accounting impact of the planned inventory reduction as well as the increase in supply chain costs, unfavorable mix and commodity headwinds. These factors were partially offset by the Company's efforts to drive favorable material cost performance. The non-cash accounting impact of the year over year inventory reduction was 26 basis points in Q2. Excluding the non-cash accounting impact of the inventory reduction, the Company's Gross Profit margin decreased 65 basis points year over year.
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> The Company has purchased inventory at higher costs in the past, which are reflected in the balance sheet on a LIFO basis. In addition, under accounting rules certain supply chain costs associated with inventory have been capitalized. As the Company reduced the inventory, these costs moved from the balance sheet and

generated a non-cash negative impact to gross margin. As we continue to reduce inventory, it will improve cash flow, but there will continue to be a non-cash negative impact to gross margin.

Adjusted SG&A was 35.2% of sales, a 123 basis point increase year over year. The increase was primarily driven by investments in customer focused strategies. In addition, higher medical and insurance expenses and support center costs related to increased personnel costs also contributed to the increase. The Company's GAAP SG&A increased 222 basis points versus the prior year.

The Company's Adjusted Operating Income of $195.5M (8.6% margin) declined 214 basis points versus prior year, primarily driven by the declines in gross profit and SG&A factors described above. Excluding the non-cash impact of the inventory reduction the Adjusted Operating income would have been $207.3M (9.2% margin), a decline of 188 basis points on a year over year basis. On a GAAP basis, the Company's Operating Income declined 312 basis points.

Operating cash flow increased approximately 28.3% to $267.3 million through the second quarter of 2017 from $208.4 million through the second quarter of 2016. Free cash flow was $145.0 million through the second quarter of 2017 compared to $70.5 million through the second quarter of 2016 primarily driven by inventory reduction efforts.

37. With respect to the Company's quarterly results, as well as outlook, Advance Auto's August 15, 2017 press release contained the following statements from defendant Greco:

"We delivered sales growth and continued to close the comp sales performance gap versus the industry in Q2 while more than doubling year to date Free Cash Flow. Our revised guidance for the year incorporates the impact of industry headwinds in the first half, which we expect to continue in the second half of the year and we are taking the appropriate actions to adapt to this environment. We've now assembled a world class leadership team that is executing our transformation plan to significantly drive growth and long term shareholder value," said Tom Greco, President and Chief Executive Officer.

38. Additionally, the Company's August 15, 2017 press release disclosed Advance Auto's updated "2017 Full Year Assumptions" as follows:

The Company provided the following update to its full fiscal year 2017 guidance:

New Stores	60-65 new stores
Comparable Store Sales	-3% to -1%
Adjusted Operating Income Rate	200 to 300 basis points year over year

	reduction
Income Tax Rate	37.5% to 38.0%
Integration & Transformation Expenses	Approximately $100 to $150 million
Capital Expenditures	Approximately $250 million
Free Cash Flow	Minimum $300 million
Diluted Share Count	Approximately 74 million shares

> The Company expects to continue reducing inventory levels to improve cash flow, and therefore will experience the associated non-cash accounting gross margin headwinds. Excluding the non-cash impact of the year over year inventory reduction which is estimated to be 75 basis points, the year over year reduction on Adjusted Operating income rate is expected be 125 basis points to 225 basis points.

39. Also on August 15, 2017, Advance Auto held an earnings conference call with investors and financial analysts. During that conference call defendant Greco stated:

> As stated previously, we have a tremendous opportunity to improve profitability. That said, before we achieve that objective, we need to strengthen the team and make necessary investments to support our customers and frontline team members. While we understand this increases cost in the short term and puts pressure on operating margins, we remain confident these decisions are in the best long-term interest of our shareholders. The investment in the frontline is necessary to stabilize and grow the business. The plans to execute productivity and transformation needed the strengthened team first in order to refine the plans and to execute.
>
> We're still in the early phases of our turnaround. And as noted before, the historic lack of investment in the customer needed to be rectified. We lacked a coherent strategy. Our frontline turnover was unacceptable. Our technology platforms were segregated and difficult to navigate, and our supply chain infrastructure was duplicative and siloed. All of these created a suboptimal experience for both customers and team members and was the primary reason our top line underperformed versus our competitive set by a wide margin for years. Simply put, we were an easy share donor for our competitors.
>
> Our new team has been acutely focused on changing this. Our focused investments have consistently enabled us to narrow the gap over the past 52 weeks, demonstrating that our elevated focus on the customer is driving desired outcomes. While we're narrowing the competitive gap versus peers, which gives us tremendous confidence in our investment, we also recognized the short-term

headwinds the industry is facing and have factored this into our full year guidance.

You saw our fiscal 2017 guidance revision in our press release today. Our revised full year guidance ranges from down 3% sales comp on the low end to down 1% comp on the high end. With regard to sales, there's little doubt the industry experienced a short-term drag on sales in the first half of 2017. This has been widely reported in both public company releases and syndicated data. While we don't think the softness is indicative of a longer-term trend, we do believe it's now prudent for us to plan for this softer industry backdrop to persist into the second half of 2017.

As a result, we're moderating our growth expectations for 2017, as we do not believe we'll offset the first half sales softness in the back half nor do we believe industry growth rates will snap back to historical levels in half two.

We attribute the temporary industry softness to three primary factors. First, economic uncertainty for low-income consumers. The most measurable dimension here is the year-over-year increase in gas prices, which has led to a lower increase in miles driven in 2017 versus prior year relative to the increases we saw in both 2015 and 2016.

Second, a temporary trough in vehicles in the age and maintenance sweet spot, resulting from a substantial decline in new car sales in the 2008-2009 recession. Eventually, this reverses as new car sales accelerated double digits for three straight years starting in 2010 and experienced strong mid-single digit growth for the succeeding years after that. As a result, we expect meaningful improvement for industry growth in the future.

Finally, it pains me to say this, but weather played a role in the first half of the year, as two consecutive mild winters combined with a spring and summer that was cooler than last year impacted certain categories like shocks and struts under car as well as air conditioning. Growth rates for these categories were down low-single digits in Q2. And given that summer is almost over, we don't expect categories like AC to recover lost sales balance of year.

40. Similarly, during the August 15, 2017 earnings conference call defendant Okray stated:

Given that half of the year is behind us and considering both current industry sales environment as well as the ramp time of actions we are taking to flow through to the P&L, we believe it is now prudent to revise our 2017 guidance. Considering our first half comp performance, as well as the outlook we have for overall industry growth in the back half, we have revised our full year comp expectations to now be between down 3% and down 1%.

> Turning to operating profit. We have revised our adjusted OI margin expectations to be between 200 bps and 300 bps decrease versus prior year. The primary driver of the change is the leverage of fixed costs associated with the lower comp expectations. Also, contributing to the change is a 75 bps headwind related to non-cash expenses from reducing our inventory significantly more than we planned at the beginning of the year. Excluding the impact of the non-cash expenses from inventory reduction, the adjusted operating income margin expectation would be a 125 bps to 225 bps decrease versus prior year.

41. On this news, shares of the Company's stock fell an additional $22.24 per share, or over 20.3%, to close on August 15, 2017 at $87.08 per share, again on heavy trading volume.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

42. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Advance Auto securities during the Class Period (the "Class"). Excluded from the Class are defendants, directors and officers of Advance Auto and their families and affiliates.

43. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. According to the Company's Form 10-K filed with the SEC on February 28, 2017, Advance Auto had over 73 million shares of stock outstanding, owned by thousands of persons.

44. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) Whether the Exchange Act was violated by defendants;

(b) Whether defendants omitted and/or misrepresented material facts;

(c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;

(e) Whether the prices of Advance Auto securities were artificially inflated; and

(f) The extent of damage sustained by Class members and the appropriate measure of damages.

45. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

46. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

47. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

LOSS CAUSATION/ECONOMIC LOSS

48. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class. The price of Advance Auto's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses. As a result of their purchases of Advance Auto securities during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

SCIENTER ALLEGATIONS

49. During the Class Period, the defendants had both the motive and opportunity to commit fraud. They also had actual knowledge of the misleading nature of the statements they made or acted in reckless disregard of the true information known to them at the time. In so doing, the defendants participated in a scheme to defraud and committed acts, practices and participated in a course of business that operated as a fraud or deceit on purchasers of Advance Auto's securities during the Class Period.

Applicability of Presumption of Reliance: Fraud on the Market Doctrine

50. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) The Company's securities traded in an efficient market;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

(e) Plaintiff and other members of the Class purchased Advance Auto securities between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

51. At all relevant times, the market for Advance Auto securities was efficient for the following reasons, among others: (a) as a regulated issuer, Advance Auto filed periodic public reports with the SEC; and (b) Advance Auto regularly communicated with public investors via

established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services.

NO SAFE HARBOR

52. Defendants' verbal "Safe Harbor" warnings accompanying its oral forward-looking statements issued during the Class Period were ineffective to shield those statements from liability. The defendants are also liable for any false or misleading forward-looking statements pleaded because, at the time each forward-looking statements was made, the speaker knew the forward-looking statement was false or misleading and the forward-looking statement was authorized and/or approved by an executive officer of Advance Auto who knew that the forward-looking statement was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

FIRST CLAIM
Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

53. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

54. During the Class Period, Advance Auto and the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period,

did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Advance Auto securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, these defendants, and each of them, took the actions set forth herein.

55. Advance Auto and the Individual Defendants: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Advance Auto securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. These defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons.

SECOND CLAIM
Violation of Section 20(a) of
The Exchange Act Against the Individual Defendants

56. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

57. The Individual Defendants acted as controlling persons of Advance Auto within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various

statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

58. In particular, each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

59. As set forth above, Advance Auto and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of these defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages and equitable relief in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: February ______, 2018

Respectfully submitted,

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Attorneys for Plaintiff