Notorious B.I.C.

FASTENAL®

INDUSTRIAL & CONSTRUCTION SUPPLIES

Allison Reininger

Chase Dawkins

Jonathan Dietzel

Steph Thompson

Zachary Kelley

Brittny Raup

History

Early 1950s: Idea of Fastenal
1967: First Store Opens in Winoa, Minnesota
1971: Second store opens
1982: Fastenal Manufacturing Created
1987: Went Public
1993: $100 million in annual sales
2001: 1000th store opens in Kapolei, Hawaii
2006: NASCAR debut
2007: 2000th store & Fortune 1000
2008: Introduction of Industrial Vending

Recent News

2012: Top Preforming Stock

2014: Acquisition with Av-Tech Industries and CEO resignation

Customers and Markets

Customer markets
- Manufacturing
- Non-Residential Construction

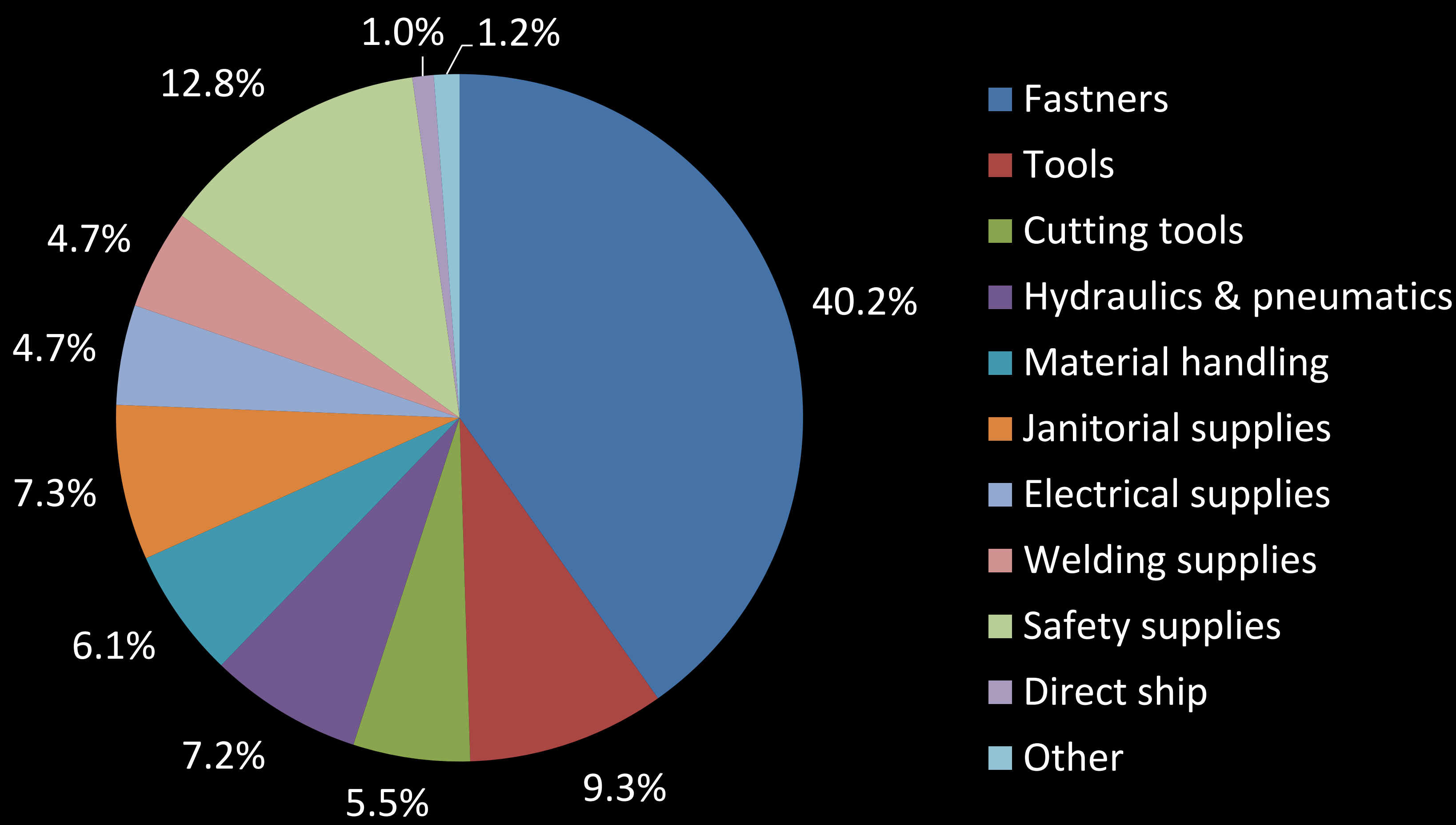
Total number of active customer accounts:
- 399,000

Total number of core accounts:
- 100,000

Marketing techniques

Product Lines

Percent Net Sales by Product Lines



Operating Store Locations

North America
- 2,590 stores

Europe
- 20 stores

Asia
- 10 stores

Central and South America
- 9 stores

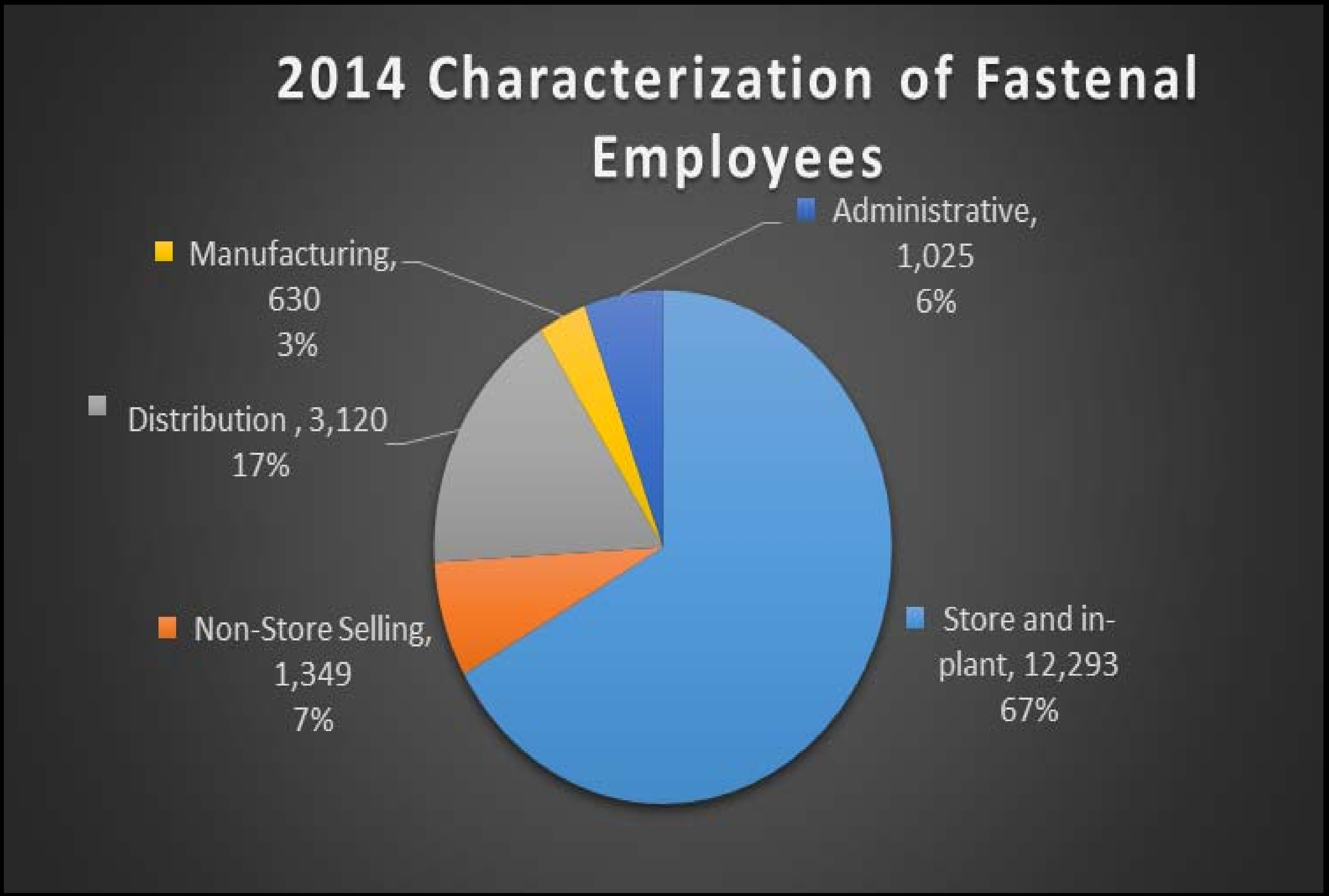
Southeast Asia
- 7 stores

Africa
- 1 store

Warehouse Locations

14 distribution centers located in:

- Mexico
- Canada
- USA



2014 Characterization of Fastenal Employees
Administrative, 1,025 6%
Manufacturing, 630 3%
Distribution , 3,120 17%
Non-Store Selling, 1,349 7%
Store and in-plant, 12,293 67%

Fastenal School of Business

14 campus locations

Professional development

Improve product knowledge/service skills

Store operations, leadership, sales and marketing, products, operations

Acquisitions

Av-Tech Industries

- Wholesale distributor of aerospace fasteners, electronic components, and miscellaneous aircraft parts

Competitive Advantage

Local stores

Inventory control

Logistics

Quality

Manufacturing

Services

Specialists

Risk Factors

Downturn in the economy

Inflation

Government regulations

Unemployment

Liability

Threat of new stores

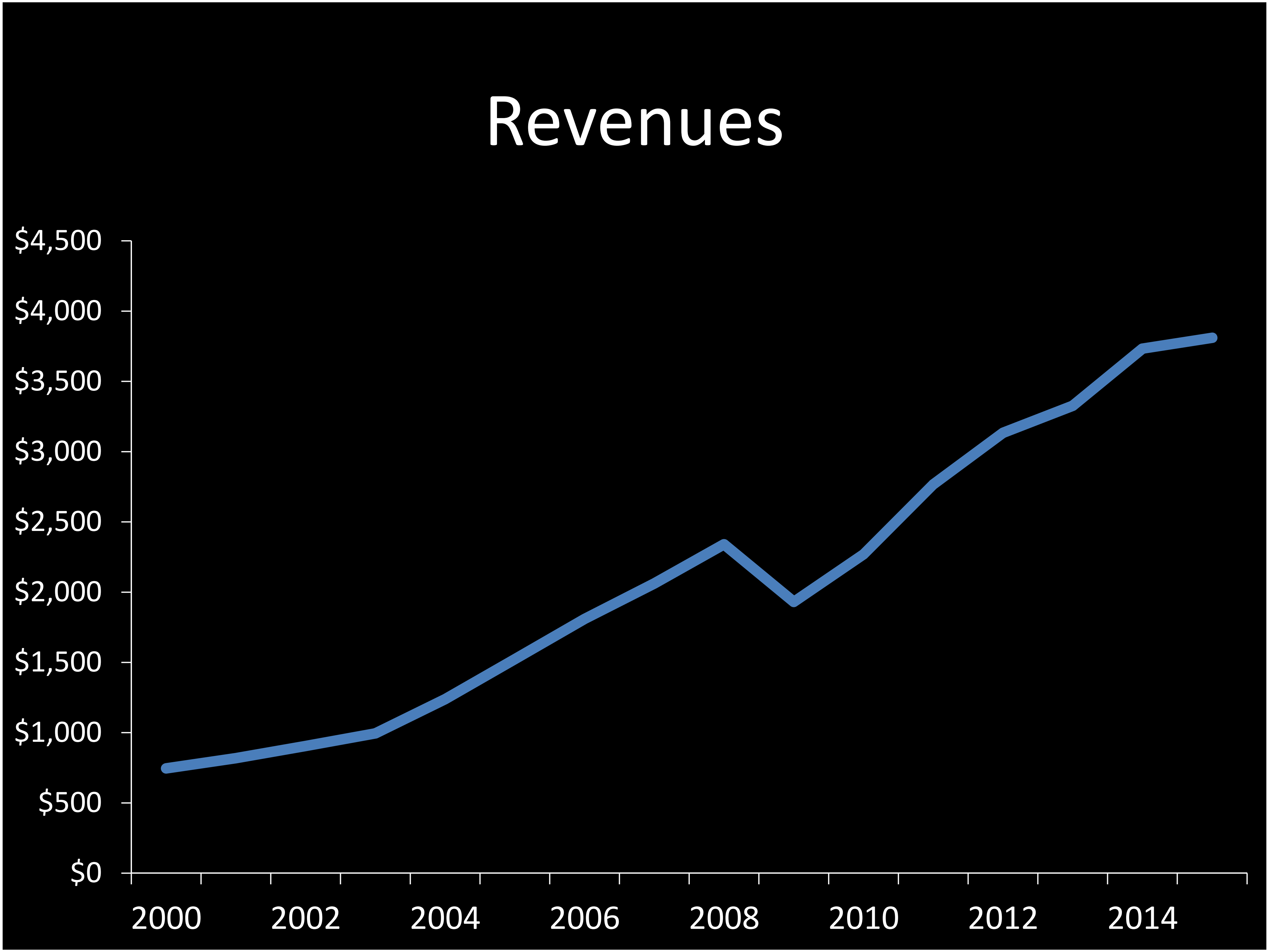
Qualitative Review

What type of business is this: commodity or sustained competitive advantage?	Competitive Advantage
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of R&D?	No
Can inventory become obsolete?	No
Are there chronic "one-time" write-offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes
If I gave you $1 billion could you develop a competitor? If the answer is "no" your business has a sustained competitive advantage.	No

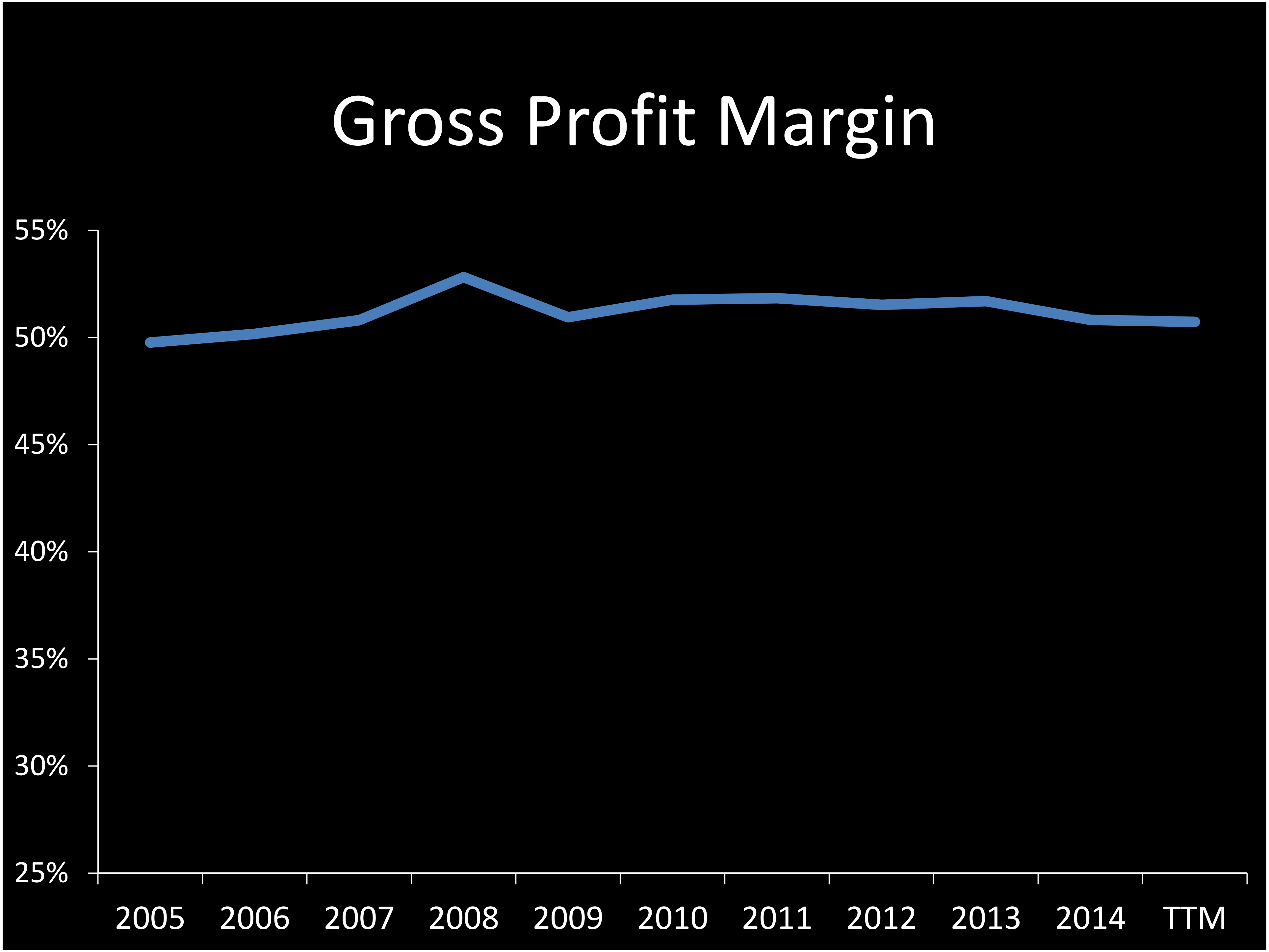
Quantitative Analysis

Interpretation of Financial Statements

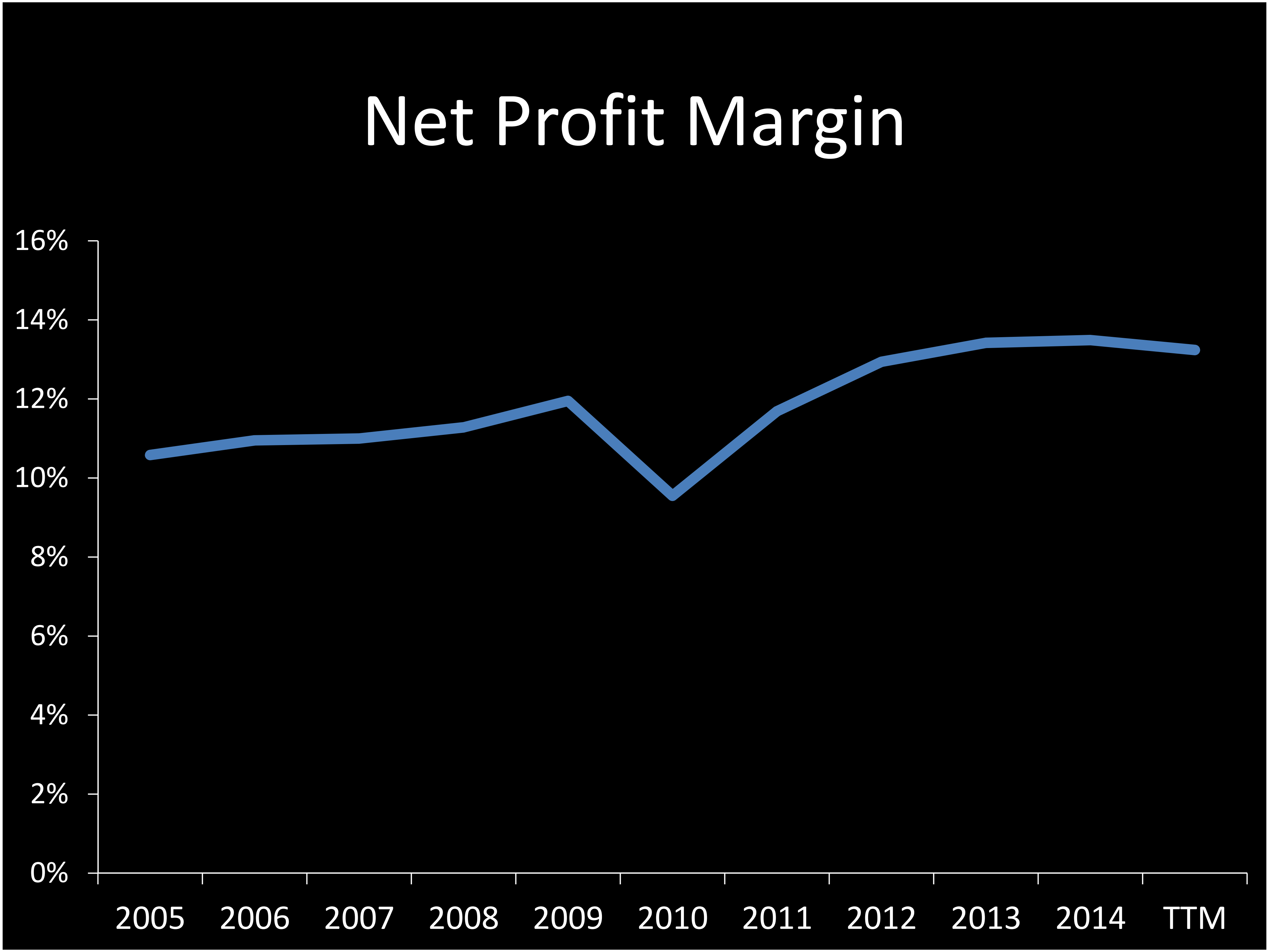
TTM	Value	Low Threshold	Pass?	High Threshold	Pass?
Gross Profit Margin	50.73%	≥ 20%	Yes	≥ 40%	Yes
% SGA	58.01%	≤ 80%	Yes	≤ 30%	No
% R&D	0.00%	≤ 10%	Yes	0%	Yes
% Depreciation	3.87%	≤ 10%	Yes	≤ 8%	Yes
Interest % of OP	0.12%	≤ 15%	Yes	≤ 10%	Yes
Net Profit Margin	13.39%	≥ 10%	Yes	≥ 20%	No
Current Ratio	4.22	≥ 1	Yes	≥ 1.2	Yes
Obligation Ratio	1.19	< 5 years	Yes	< 3 years	Yes
Adj. Debt to Shareholder Equity	0.3	< 0.8	Yes	< 0.6	Yes
Return on Equity	27.37%	≥ 15%	Yes	≥ 30%	No
Return on Capital	27.37%	≥ 15%	Yes	≥ 30%	Yes
Dividend Payout Ratio	59.87%	≤ 60%	Yes	≤ 40%	No
Preferred Stock	None	None	Yes	None	Yes
Capital Expenditures	12.44%	≤ 25%	Yes	≤ 15%	Yes
Net Earning Trend	Up	Up	Yes	Up	Yes
Retained Earnings Trend	Up	Up	Yes	Up	Yes

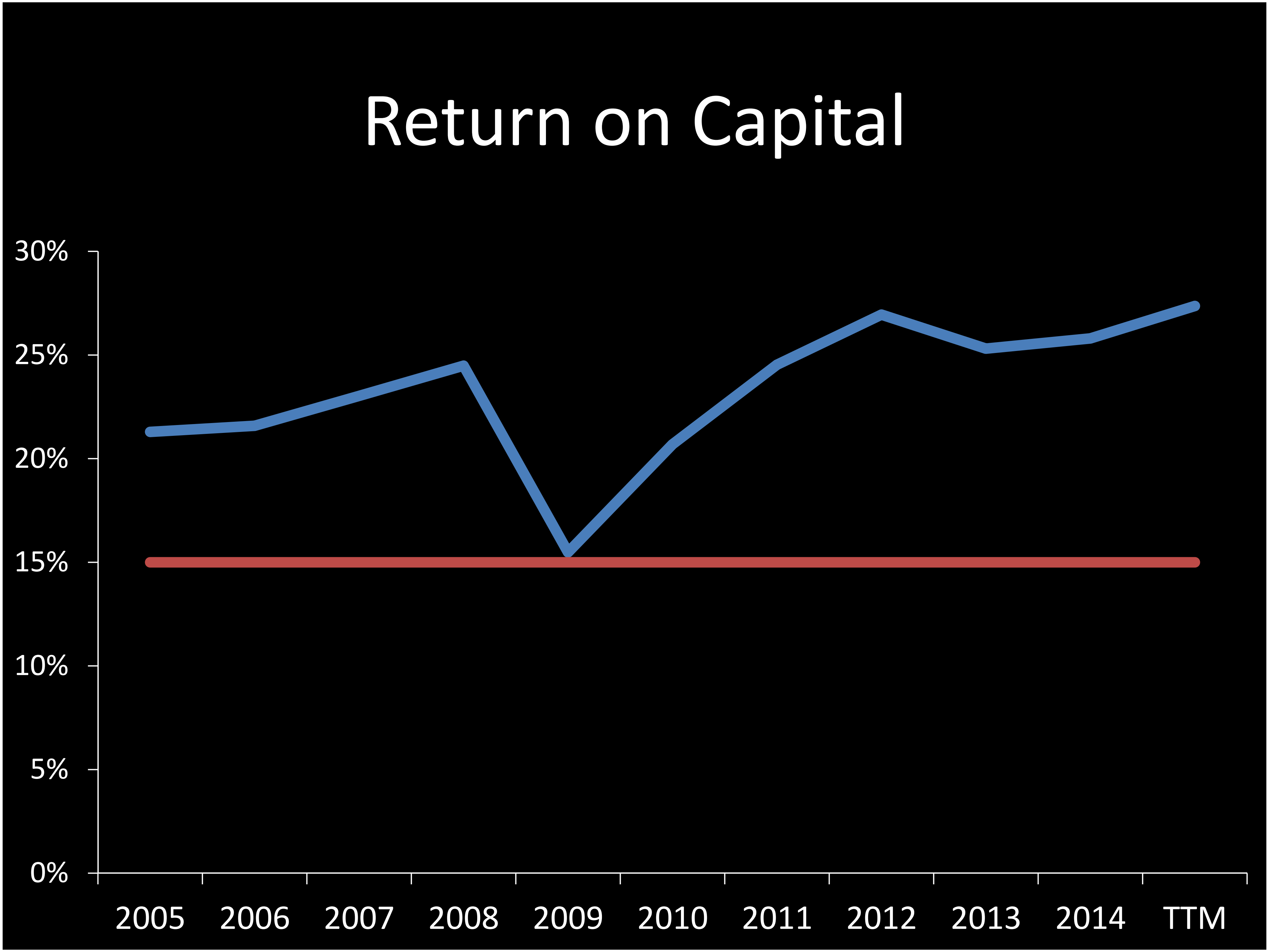


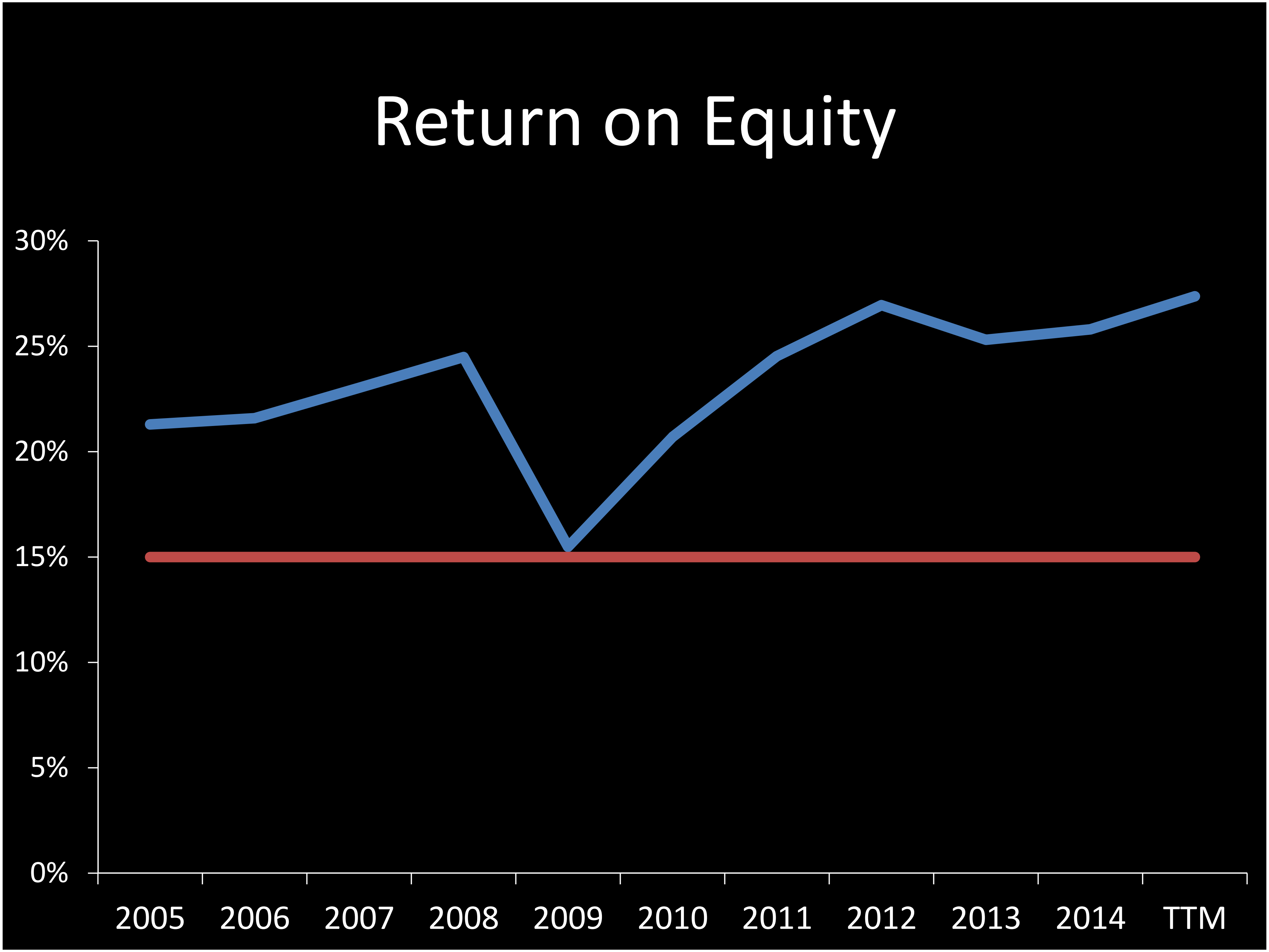
Revenues
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
2000
2002
2004
2006
2008
2010
2012
2014

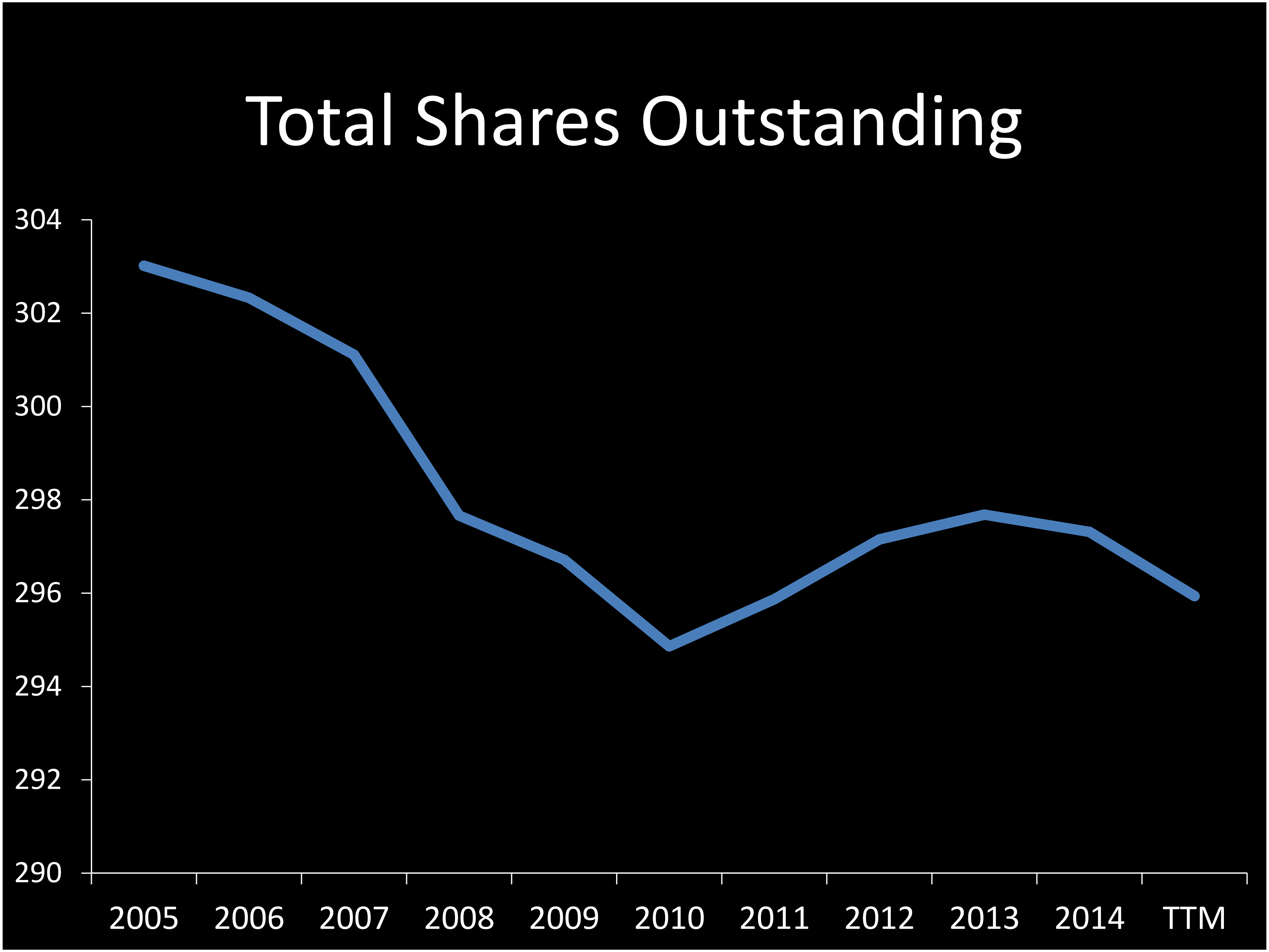


Gross Profit Margin
55%
50%
45%
40%
35%
30%
25%
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
TTM


Net Profit Margin
16%
14%
12%
10%
8%
6%
4%
2%
0%
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
TTM


Return on Capital
30%
25%
20%
15%
10%
5%
0%
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
TTM

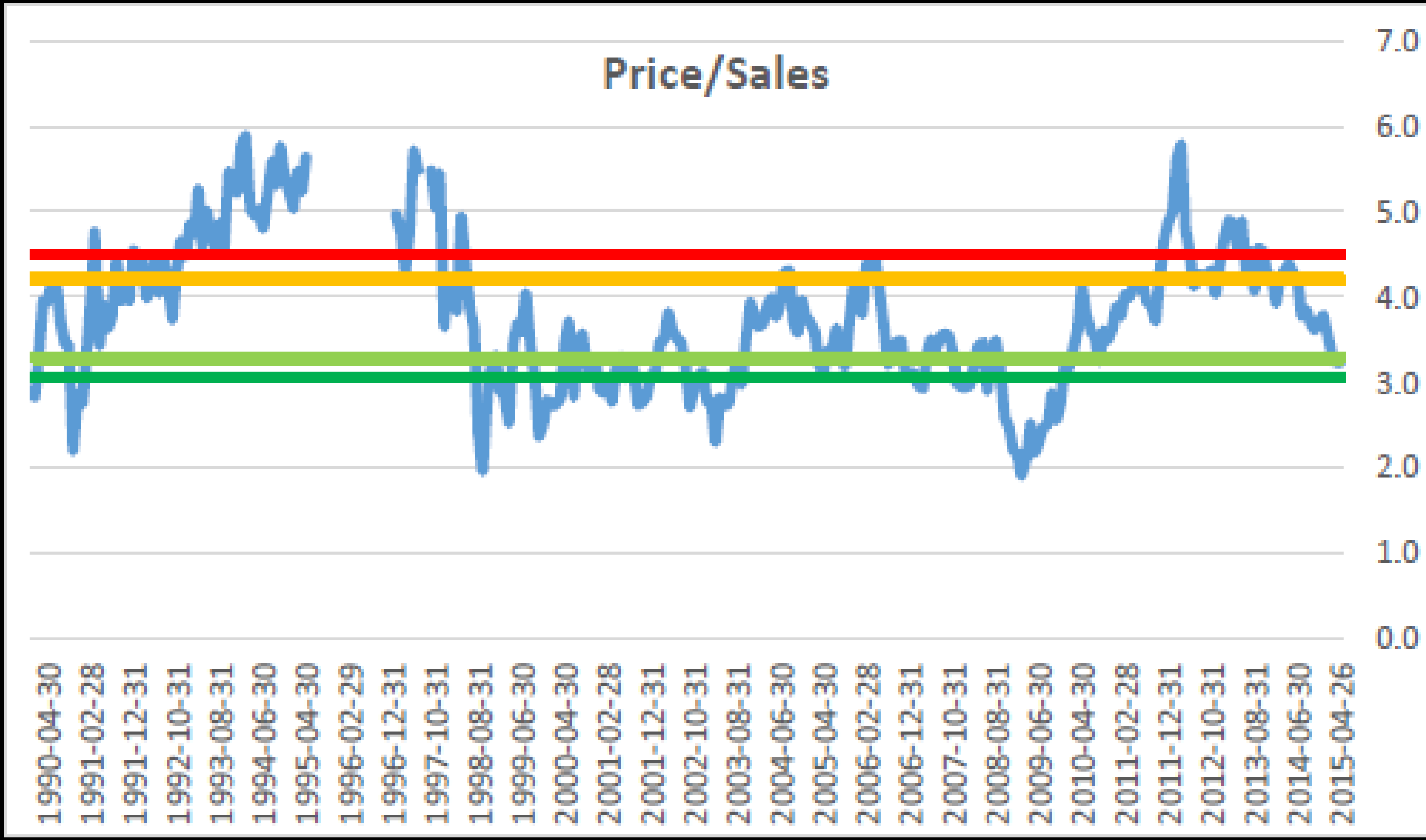

Return on Equity
30%
25%
20%
15%
10%
5%
0%
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
TTM


Total Shares Outstanding
304
302
300
298
296
294
292
290
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
TTM

Statistical Array Analysis

Increasing Trends?	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Decreasing *
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Stable
Operating Profit Margin	Stable
Number of Stores	Stable
Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Increasing
Shareholder's Equity	Increasing
Return on Total Capital	Increasing
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Decreasing
Long Term Debt	None
LTD Payable in 5 years	Yes
All Dividends to Net Profit under 60%	Yes

Van Den Berg Ratios



Price/Sales
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
1990-04-30
1991-02-28
1991-12-31
1992-10-31
1993-08-31
1994-06-30
1995-04-30
1996-02-29
1996-12-31
1997-10-31
1998-08-31
1999-06-30
2000-04-30
2001-02-28
2001-12-31
2002-10-31
2003-08-31
2004-06-30
2005-04-30
2006-02-28
2006-12-31
2007-10-31
2008-08-31
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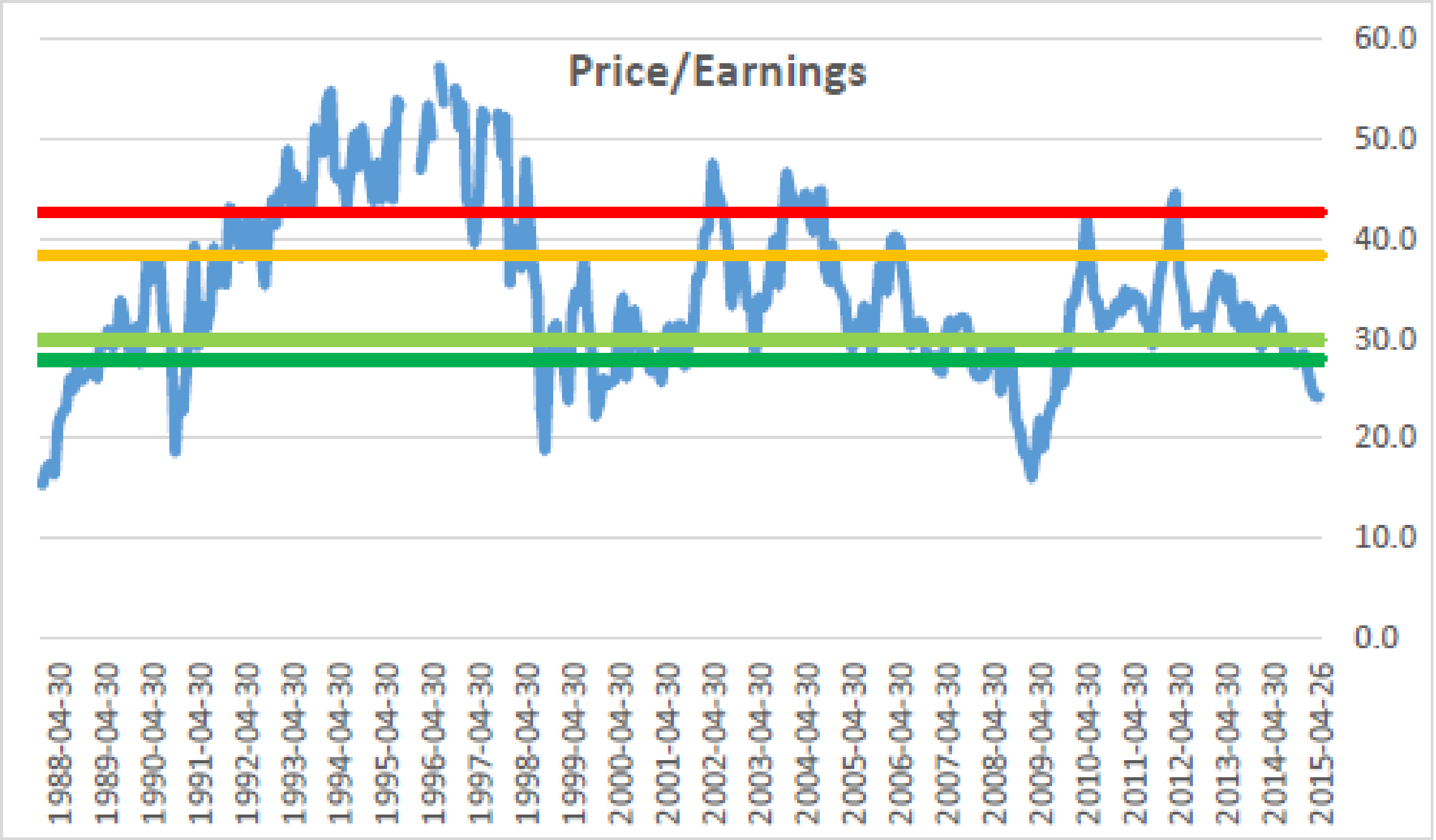
2010-04-30
2011-02-28
2011-12-31
2012-10-31
2013-08-31
2014-06-30
2015-04-26



Price/Earnings
60.0
50.0
40.0
30.0
20.0
10.0
0.0
1988-04-30
1989-04-30
1990-04-30
1991-04-30
1992-04-30
1993-04-30
1994-04-30
1995-04-30
1996-04-30
1997-04-30
1998-04-30
1999-04-30
2000-04-30
2001-04-30
2002-04-30
2003-04-30
2004-04-30
2005-04-30
2006-04-30
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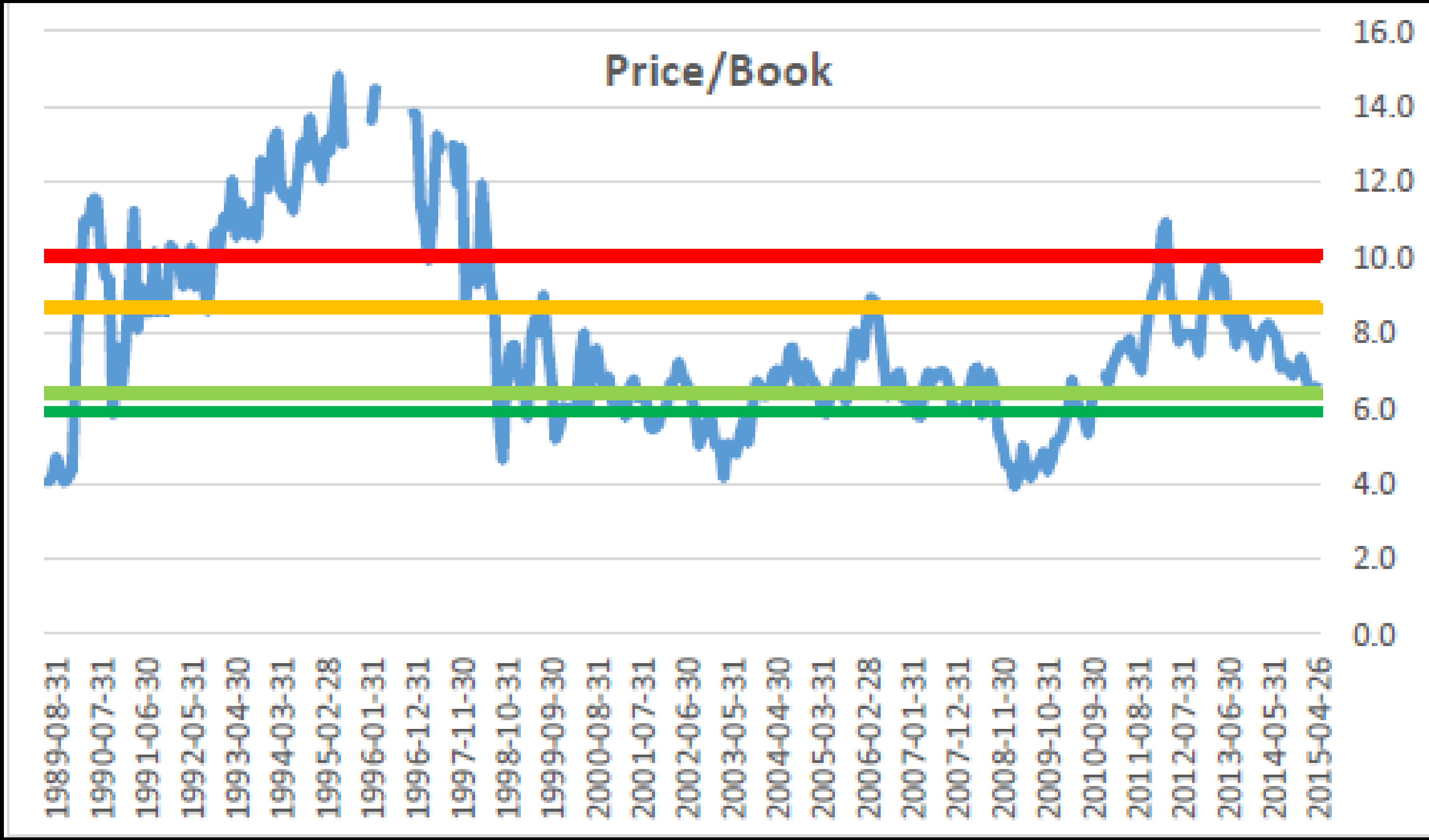
2014-04-30
2015-04-26


Price/Book
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
1989-08-31
1990-07-31
1991-06-30
1992-05-31
1993-04-30
1994-03-31
1995-02-28
1996-01-31
1996-12-31
1997-11-30
1998-10-31
1999-09-30
2000-08-31
2001-07-31
2002-06-30
2003-05-31
2004-04-30
2005-03-31
2006-02-28
2007-01-31
2007-12-31
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2009-10-31
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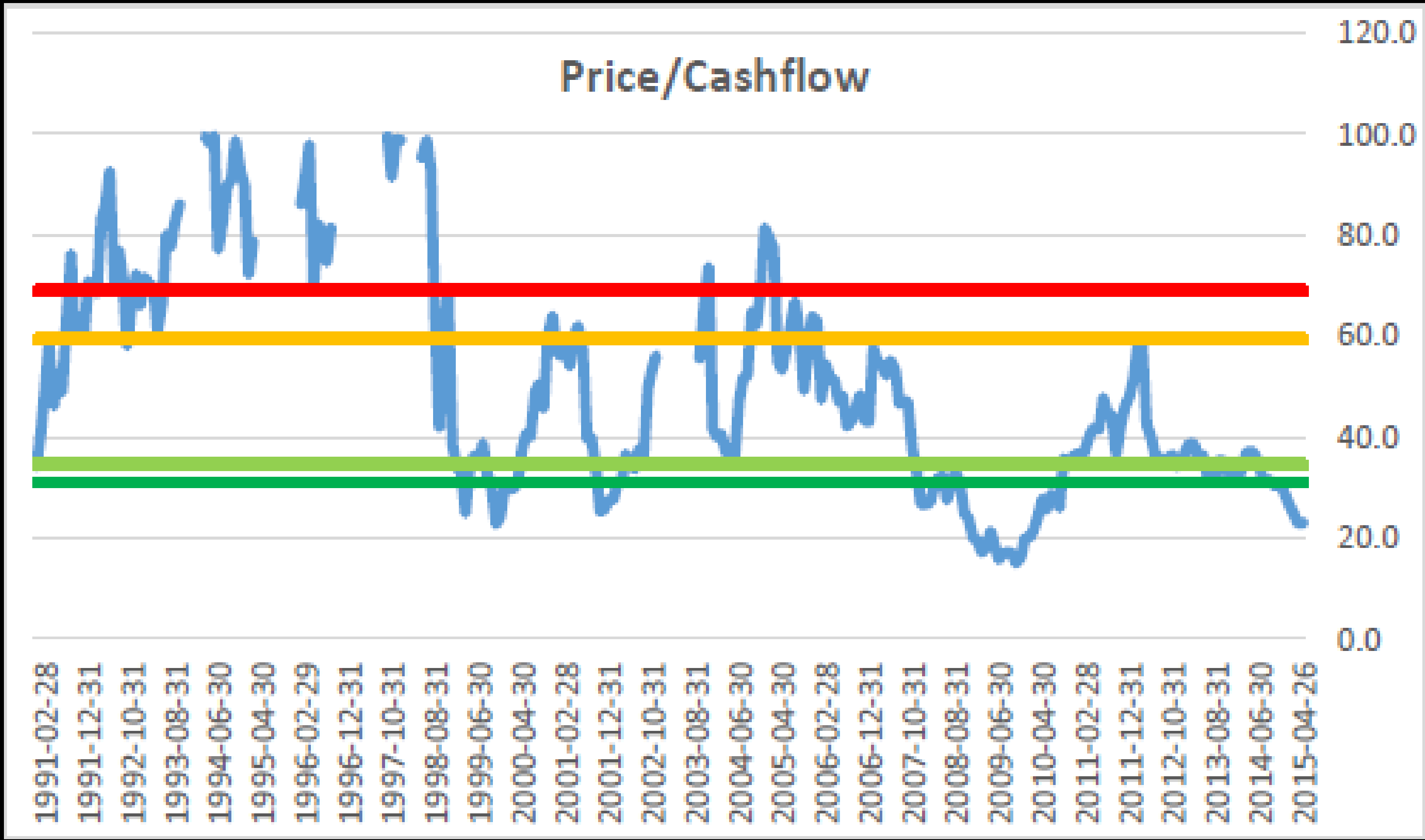
2012-07-31
2013-06-30
2014-05-31
2015-04-26


Price/Cashflow
120.0
100.0
80.0
60.0
40.0
20.0
0.0
1991-02-28
1991-12-31
1992-10-31
1993-08-31
1994-06-30
1995-04-30
1996-02-29
1996-12-31
1997-10-31
1998-08-31
1999-06-30
2000-04-30
2001-02-28
2001-12-31
2002-10-31
2003-08-31
2004-06-30
2005-04-30
2006-02-28
2006-12-31
2007-10-31
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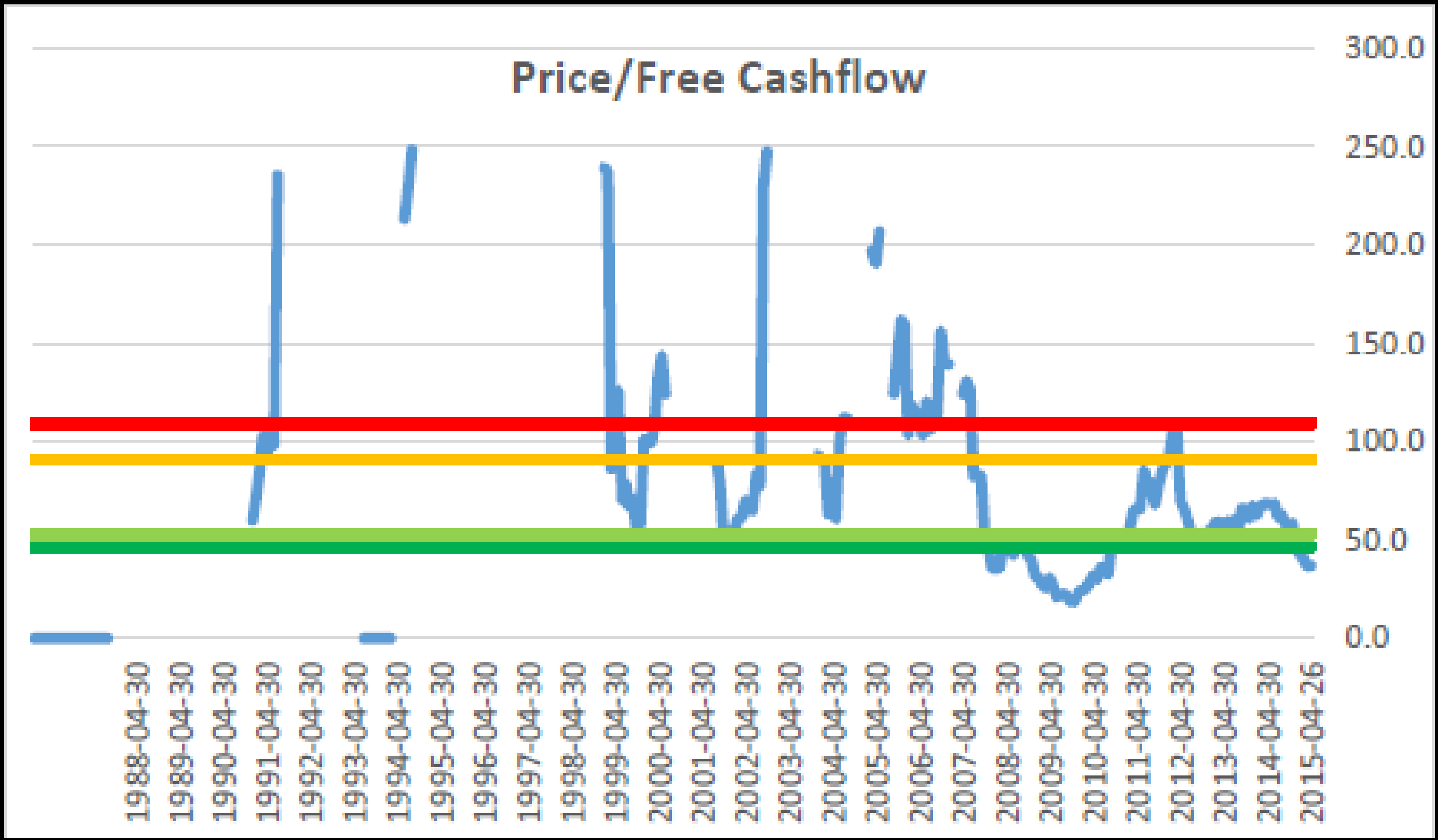
2014-06-30
2015-04-26


Price/Free Cashflow
300.0
250.0
200.0
150.0
100.0
50.0
0.0
1988-04-30
1989-04-30
1990-04-30
1991-04-30
1992-04-30
1993-04-30
1994-04-30
1995-04-30
1996-04-30
1997-04-30
1998-04-30
1999-04-30
2000-04-30
2001-04-30
2002-04-30
2003-04-30
2004-04-30
2005-04-30
2006-04-30
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2012-04-30
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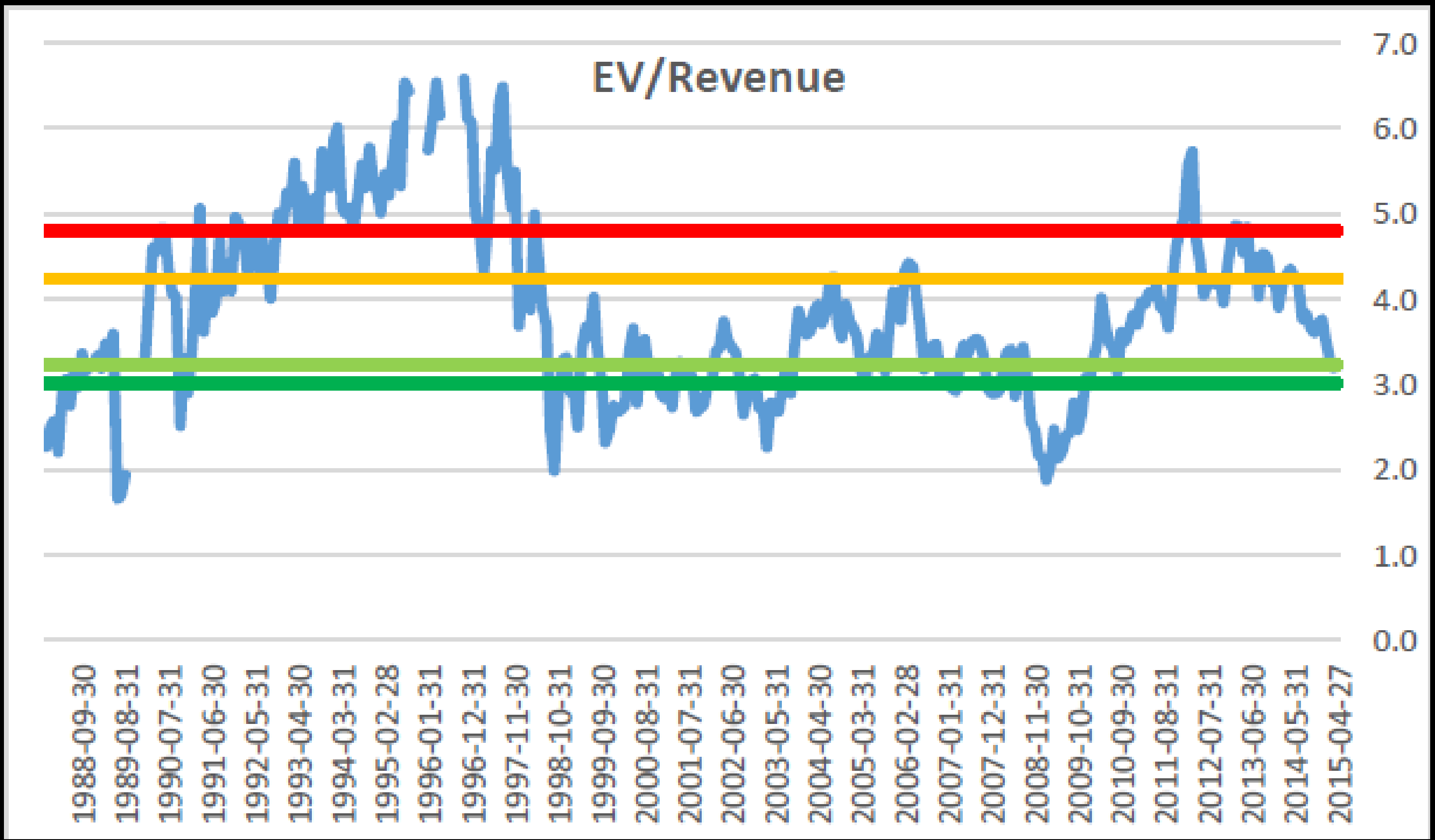
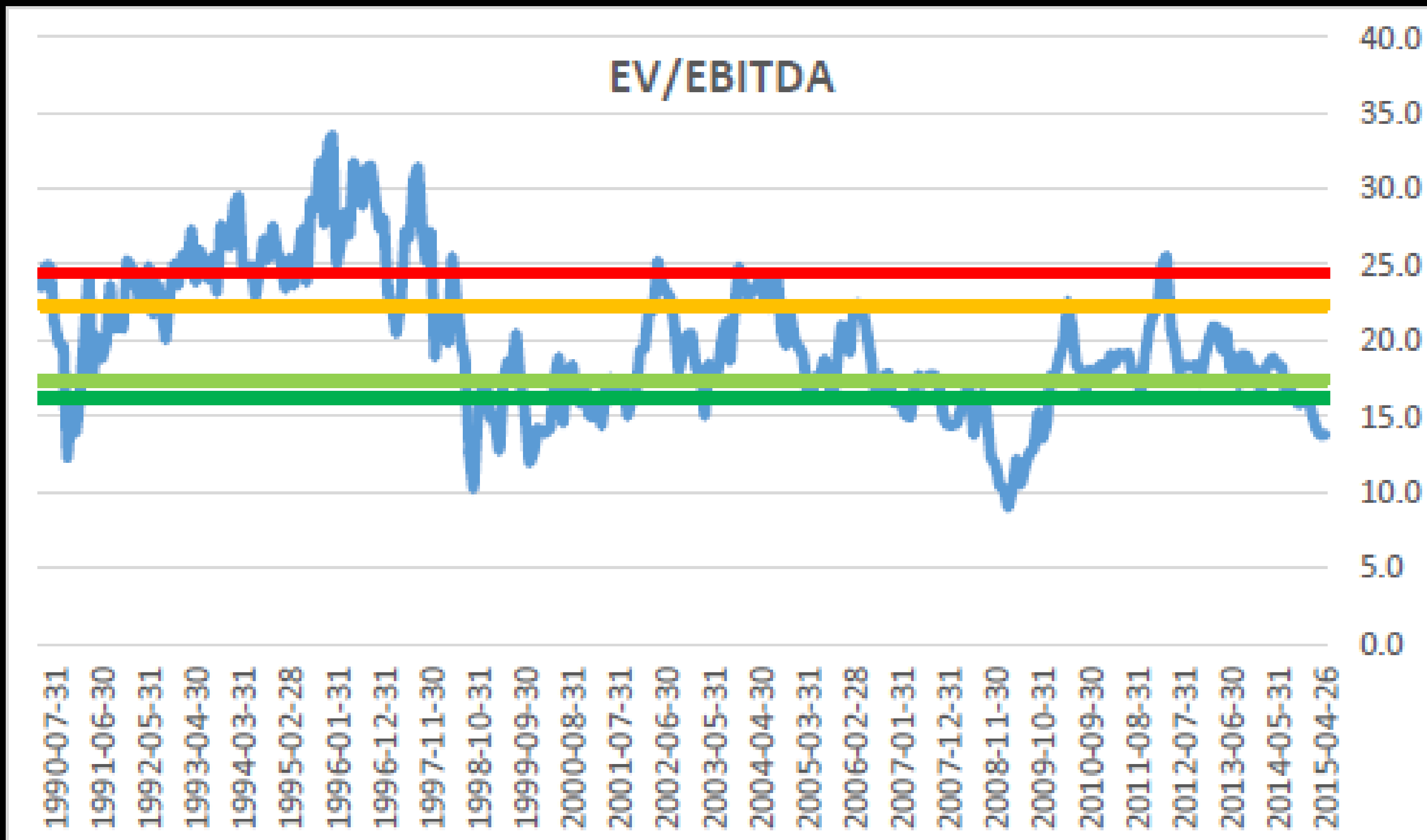
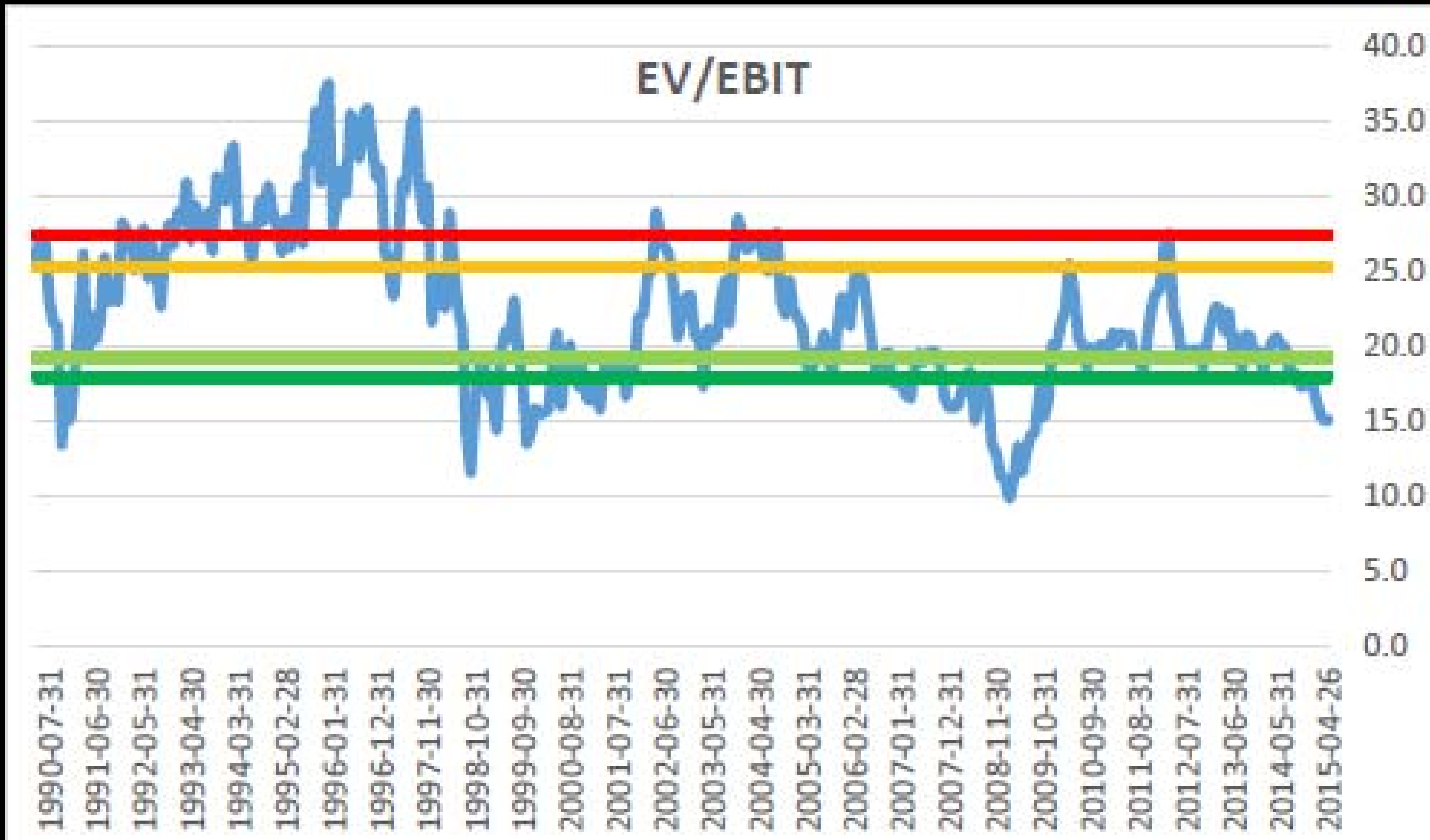
2014-04-30
2015-04-26



EV/Revenue
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
1988-09-30
1989-08-31
1990-07-31
1991-06-30
1992-05-31
1993-04-30
1994-03-31
1995-02-28
1996-01-31
1996-12-31
1997-11-30
1998-10-31
1999-09-30
2000-08-31
2001-07-31
2002-06-30
2003-05-31
2004-04-30
2005-03-31
2006-02-28
2007-01-31
2007-12-31
2008-11-30
2009-10-31
2010-09-30
2011-08-31
2012-07-31
2013-06-30
2014-05-31
2015-04-27


EV/EBITDA
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
1990-07-31
1991-06-30
1992-05-31
1993-04-30
1994-03-31
1995-02-28
1996-01-31
1996-12-31
1997-11-30
1998-10-31
1999-09-30
2000-08-31
2001-07-31
2002-06-30
2003-05-31
2004-04-30
2005-03-31
2006-02-28
2007-01-31
2007-12-31
2008-11-30
2009-10-31
2010-09-30
2011-08-31
2012-07-31
2013-06-30
2014-05-31
2015-04-26


EV/EBIT
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
1990-07-31
1991-06-30
1992-05-31
1993-04-30
1994-03-31
1995-02-28
1996-01-31
1996-12-31
1997-11-30
1998-10-31
1999-09-30
2000-08-31
2001-07-31
2002-06-30
2003-05-31
2004-04-30
2005-03-31
2006-02-28
2007-01-31
2007-12-31
2008-11-30
2009-10-31
2010-09-30
2011-08-31
2012-07-31
2013-06-30
2014-05-31
2015-04-26

Summary

	Historical Rank	Current Multiple
P/S	28%	3.24
P/E	8%	24.22
P/B	34%	6.57
P/CFO	7%	23.05
P/FCF	15%	36.86
EV/Rev	29%	3.21
EV/EBITDA	7%	13.78
EV/EBIT	7%	15.05
Overall	17%	

Conscious Investor

3 Year

FAST:US Fastenal Co | Industrial Distribution | Last trade 2015-04-21 | **Return Analysis**

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	EPSttm	Years	HGROWTH	STAEGR®
EPS ($)	0.551	0.658	0.773	0.940	0.621	0.900	1.210	1.415	1.507	1.662	$1.717	3	8.38%	99.54%
SPS ($)	5.042	5.983	6.913	7.879	6.547	7.697	9.371	10.566	11.208	12.619		3	9.28%	99.12%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	Current
NPM (%)	11.0	11.0	11.3	12.0	9.6	11.7	12.9	13.4	13.5	13.2	13.2%
ROE (%)	22.7	23.3	24.1	26.0	15.8	21.5	26.1	27.9	26.9	26.8	26.8%
Payout (%)	28.0	30.0	28.0	28.0	58.0	46.0	54.0	52.0	53.0	60.0	60.0%
Debt/Eq. (%)	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.7	4.7%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	High/Low	Current
P/E High	38.08	37.48	34.24	30.04	34.04	33.55	36.69	38.90	35.42	31.41	29.69	24.03
P/E Low	23.17	25.21	21.38	16.00	20.83	22.76	23.81	26.58	29.03	24.18	22.98	
Price High	20.98	24.66	26.47	28.24	21.14	30.20	44.40	55.05	53.38	52.21	50.98	41.26
Price Low	12.77	16.59	16.53	15.04	12.94	20.49	28.81	37.61	43.75	40.18	39.46	

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®	
Default	41.26	$1.717	30.64	8.38%	55.8%	9.68%	10.00%	39.88	Copy
Safety	41.26	$1.717	19.46	7.05%	54.8%	5.31%	10.00%	24.41	Copy

3 Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	41.26	$1.717	30.64	8.38%	55.8%	9.68%
Safety	41.26	$1.717	19.46	7.05%	54.8%	5.31%

6 Year

FAST:US Fastenal Co

Industrial Distribution

Last trade 2015-04-21

Return Analysis

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	EPSttm	Years	HGROWTH	STAEGR®
EPS ($)	0.551	0.658	0.773	0.940	0.621	0.900	1.210	1.415	1.507	1.662	$1.717	6	20.66%	90.48%
SPS ($)	5.042	5.983	6.913	7.879	6.547	7.697	9.371	10.566	11.208	12.619		6	13.77%	96.94%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	Current
NPM (%)	11.0	11.0	11.3	12.0	9.6	11.7	12.9	13.4	13.5	13.2	13.2%
ROE (%)	22.7	23.3	24.1	26.0	15.8	21.5	26.1	27.9	26.9	26.8	26.8%
Payout (%)	28.0	30.0	28.0	28.0	58.0	46.0	54.0	52.0	53.0	60.0	60.0%
Debt/Eq. (%)	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.7	4.7%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	High/Low	Current
P/E High	38.08	37.48	34.24	30.04	34.04	33.55	36.69	38.90	35.42	31.41	29.69	24.03
P/E Low	23.17	25.21	21.38	16.00	20.83	22.76	23.81	26.58	29.03	24.18	22.98	
Price High	20.98	24.66	26.47	28.24	21.14	30.20	44.40	55.05	53.38	52.21	50.98	41.26
Price Low	12.77	16.59	16.53	15.04	12.94	20.49	28.81	37.61	43.75	40.18	39.46	

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®	
Default	41.26	$1.717	30.64	20.66%	55.8%	20.42%	10.00%	111.43	Copy
Safety	41.26	$1.717	19.46	12.06%	54.8%	9.04%	10.00%	37.25	Copy

6 Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	41.26	$1.717	30.64	20.66%	55.8%	20.42%
Safety	41.26	$1.717	19.46	12.06%	54.8%	9.04%

10 Year

FAST:US Fastenal Co

Industrial Distribution

Last trade 2015-04-21

Return Analysis

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	EPSttm	Years	HGROWTH	STAEGR®
EPS ($)	0.551	0.658	0.773	0.940	0.621	0.900	1.210	1.415	1.507	1.662	$1.717	10	12.80%	87.67%
SPS ($)	5.042	5.983	6.913	7.879	6.547	7.697	9.371	10.566	11.208	12.619		10	9.83%	93.07%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	Current
NPM (%)	11.0	11.0	11.3	12.0	9.6	11.7	12.9	13.4	13.5	13.2	13.2%
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Payout (%)	28.0	30.0	28.0	28.0	58.0	46.0	54.0	52.0	53.0	60.0	60.0%
Debt/Eq. (%)	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.7	4.7%

	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	High/Low	Current
P/E High	38.08	37.48	34.24	30.04	34.04	33.55	36.69	38.90	35.42	31.41	29.69	24.03
P/E Low	23.17	25.21	21.38	16.00	20.83	22.76	23.81	26.58	29.03	24.18	22.98	
Price High	20.98	24.66	26.47	28.24	21.14	30.20	44.40	55.05	53.38	52.21	50.98	41.26
Price Low	12.77	16.59	16.53	15.04	12.94	20.49	28.81	37.61	43.75	40.18	39.46	

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®	
Default	41.26	$1.717	30.64	12.80%	55.8%	13.41%	10.00%	58.29	Copy
Safety	41.26	$1.717	19.46	8.92%	54.8%	6.67%	10.00%	28.62	Copy

10 Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	41.26	$1.717	30.64	12.80%	55.8%	13.41%
Safety	41.26	$1.717	19.46	8.92%	54.8%	6.67%

Kill It

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	41.26	$1.717	30.64	12.80%	55.8%	13.41%
Safety	41.26	$1.717	19.46	8.92%	54.8%	6.67%
Saved	41.26	$1.717	16.00	6.00%	40.0%	2.84%

Cut P/E by 47.8%
Cut Growth rate by 53.1%

Kill It Again

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	41.26	$1.717	30.64	12.80%	55.8%	13.41%
Safety	41.26	$1.717	19.46	8.92%	54.8%	6.67%
Saved	41.26	$1.717	13.00	4.75%	20.0%	0.01%

Cut P/E by another 18.8%
Cut Growth by another 20.8%

Discounted Cash Flow Model

Default

Earnings Per Share : $ 1.72

Growth Rate In the Next: 10 Years : 13.5(%

Business Predictability

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 12 %

DCF | Reverse DCF NEW

Tangible Book Value: $ 6.30 Add to Fair Value

Growth Value: $ 18.52

Terminal Value: $ 13.37

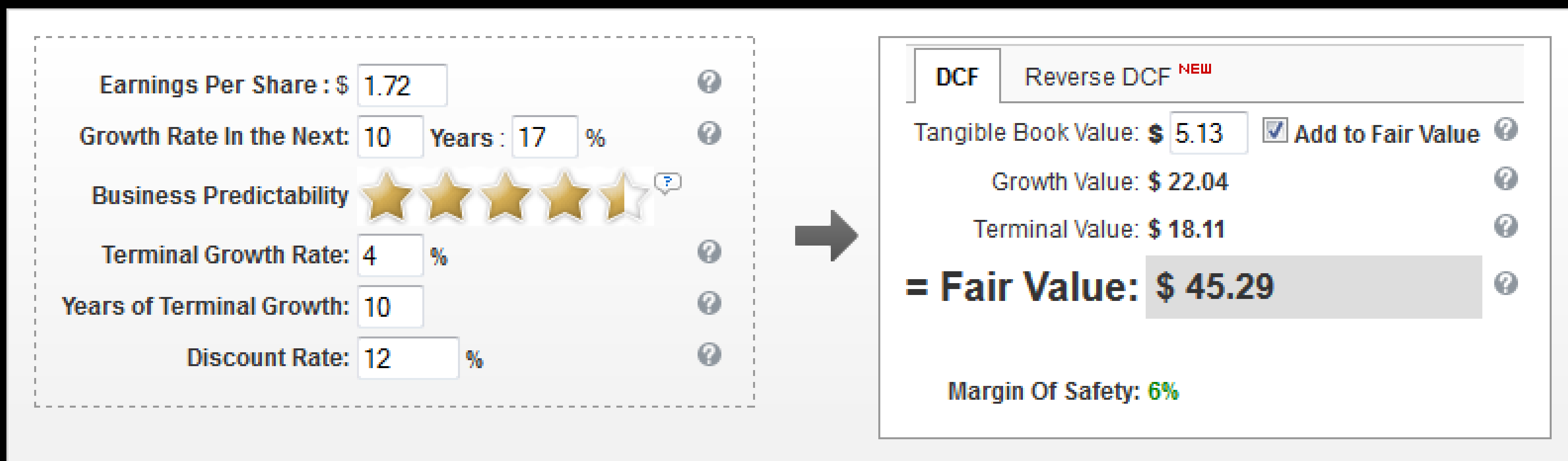
= Fair Value: $ 38.19

Margin Of Safety: -12%

Financial Data of Fastenal Co

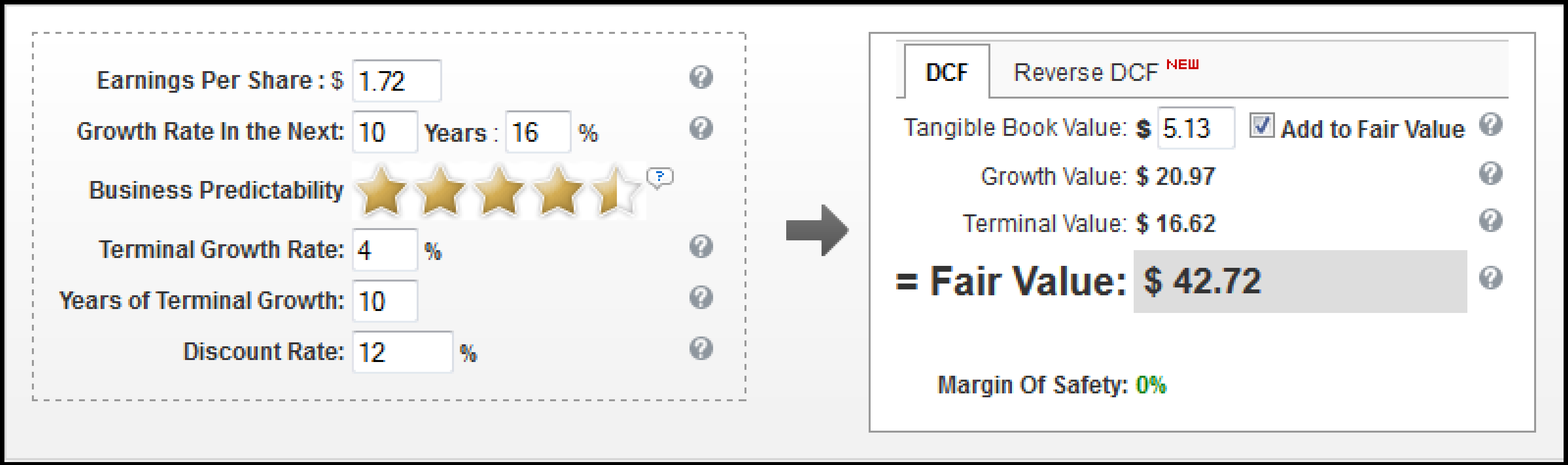
Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	10.70	13.80	12.40
EBITDA Growth (%)	13.20	19.90	13.70
EBIT Growth (%)	13.50	20.40	14.10
EPS without NRI Growth (%)	13.50	20.90	13.20
Free Cash Flow Growth (%)	34.40	6.40	58.30
Book Value Growth (%)	10.70	10.10	3.80

Valueline



ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Sales	13.0%	10.0%	*9.0%*
"Cash Flow"	16.5%	13.5%	*10.5%*
Earnings	17.0%	14.5%	*10.0%*
Dividends	31.5%	25.0%	*8.5%*
Book Value	12.0%	9.5%	*13.0%*

Kill It



Earnings Per Share : $ 1.72
Growth Rate In the Next: 10 Years : 16 %
Business Predictability
Terminal Growth Rate: 4 %
Years of Terminal Growth: 10
Discount Rate: 12 %
DCF
Reverse DCF NEW
Tangible Book Value: $ 5.13
Add to Fair Value
Growth Value: $ 20.97
Terminal Value: $ 16.62
= Fair Value: $ 42.72
Margin Of Safety: 0%

Industry Comparison

Company	Fastenal	HD Supply Holdings	MSC Industrial Direct Co.	W.W. Grainger
Market Cap (in billions)	12.24	6.61	4.43	16.66
Return on Equity (%)	27.33	-	18.69	24.44
Return on Assets (%)	21.97	0.05	11.51	15.10
Gross Profit Margin (%)	50.73	28.80	45.61	43.24
Net Profit Margin (%)	13.38	.03	8.20	7.95
Dividend Yield (%)	2.50	-	2.13	1.80
Price/Earnings	24.20	NMV	18.8	21.30
Price/Sales	3.20	0.73	1.54	1.70
Price/Free Cash Flow	37.20	37.80	42	29.70
EV/EBITDA	13.57	15.29	10.80	10.59

Du Pont Analysis

Company	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return on Equity
Fastenal	1.57	13.39%	1.30	27.33%
HD Supply Holdings	1.47	.03%	NMV	NMV
MSC Industrial Direct Co.	1.36	8.18%	2.56	18.69%
W.W. Grainger	1.90	7.94%	1.62	24.44%

Intra-Portfolio Valuations

52 Week Range

Ticker	52-wk Range		Price vs 52-wk High (%)
FAST	$39.46	$50.98	81.7%
IBM	$149.52	$196.86	86.2%
WMT	$72.61	$90.97	87.8%
AIG-WT	$20.17	$27.14	88.1%
AAP	$118.51	$165.00	90.1%
KO	$39.06	$45.00	90.9%
BBBY	$54.96	$79.64	91.1%
CHRW	$55.76	$77.49	91.2%
WBA	$57.75	$93.42	92.0%
ORCL	$35.82	$46.71	92.2%
BRK.B	$122.72	$152.94	92.9%
PEP	$84.95	$100.76	94.5%
MSFT	$38.51	$50.05	95.7%
NSRGY	$65.79	$80.65	96.9%
AIG	$48.56	$58.73	97.0%
MDT	$57.81	$79.50	97.6%
LO	$53.48	$71.50	99.0%

Price to Earnings

Ticker	Price / Earnings
AIG-WT	-
AIG	10.9
IBM	10.9
BBBY	14.7
WMT	16.0
NSRGY	16.5
BRK.B	16.8
ORCL	18.0
MSFT	19.9
LO	21.4
AAP	22.1
PEP	22.2
CHRW	23.2
FAST	24.3
MDT	24.9
WBA	25.1
KO	25.6

Price to Sales

Ticker	Price / Sales
AIG-WT	-
WMT	0.5
CHRW	0.8
WBA	1.0
AAP	1.1
BBBY	1.2
AIG	1.3
BRK.B	1.7
IBM	1.9
PEP	2.2
NSRGY	2.6
FAST	3.2
LO	3.6
KO	4.0
MSFT	4.2
MDT	4.4
ORCL	5.0

PEG Forward

Ticker	PEG Forward
AIG-WT	-
BRK.B	-
AIG	1.2
AAP	1.3
FAST	1.5
WBA	1.7
ORCL	1.9
LO	2.0
CHRW	2.0
BBBY	2.1
IBM	2.4
MDT	2.6
MSFT	2.7
PEP	3.3
WMT	3.5
KO	4.2
NSRGY	5.2

Conclusion

High return on capital and return on equity

Strong supply chain management

Steady growth and potential for expansion

Recommendation

- Limit order at $42.68