Tractor Supply

ENVESTORS

History

1938 – Started Tractor parts store

1939 – First retail store

1958 – IPO

1982 – Fuqua Industries acquires business

2002 – Sales top 1 Billion

Recent News

Acquired Petsense for $116 Million

Earnings released yesterday

Quarterly Earnings were $0.46

Stock has recently had major drops

Business Segments

Brick and mortar

Online

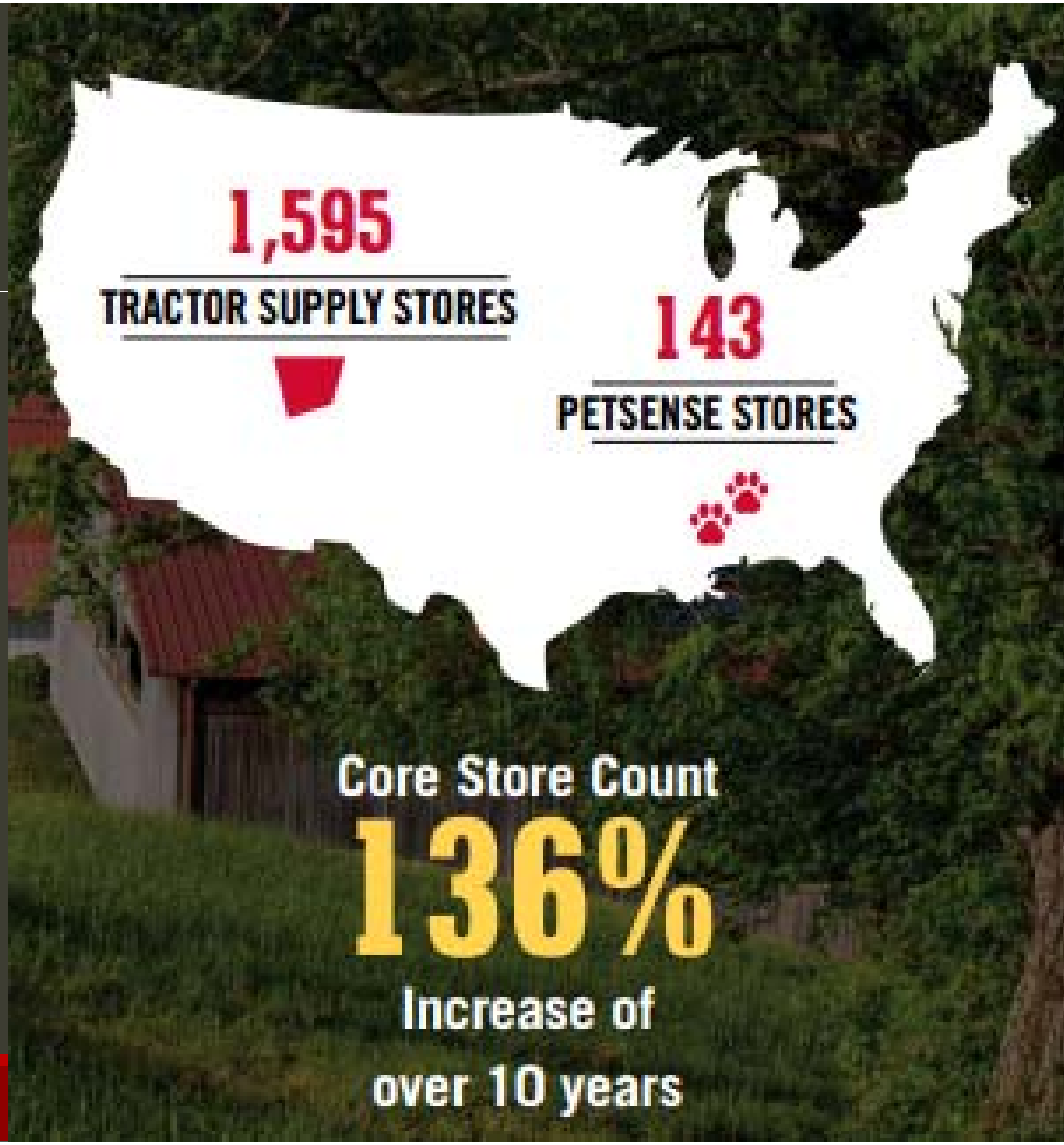
- TractorSupply.com
- Petsense.com

Brick and Mortar

1,738 retail stores in 49 states

Tractor Supply Company and Del's Feed & Farm Supply
- 1,595 locations
- 15,000 to 20,000 square feet with additional outside selling space

Petsense
- 143 locations
- Approx. 5,500 square feet


1,595
TRACTOR SUPPLY STORES
143
PETSENSE STORES
Core Store Count
136%
Increase of
over 10 years

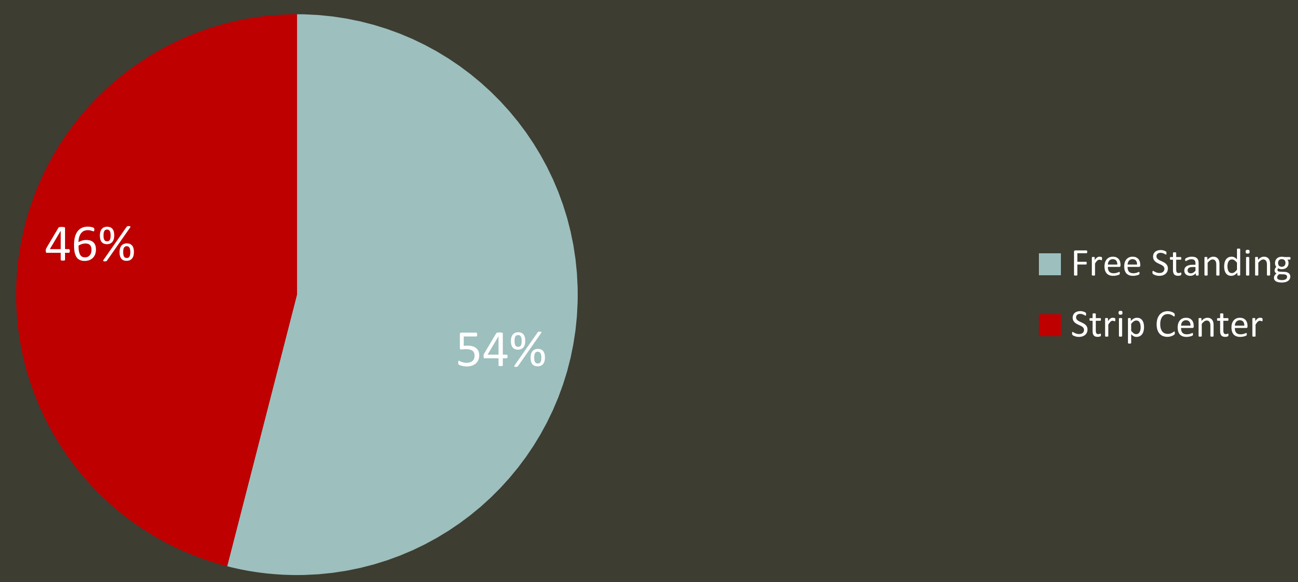
Location

Towns outlying major metropolitan markets

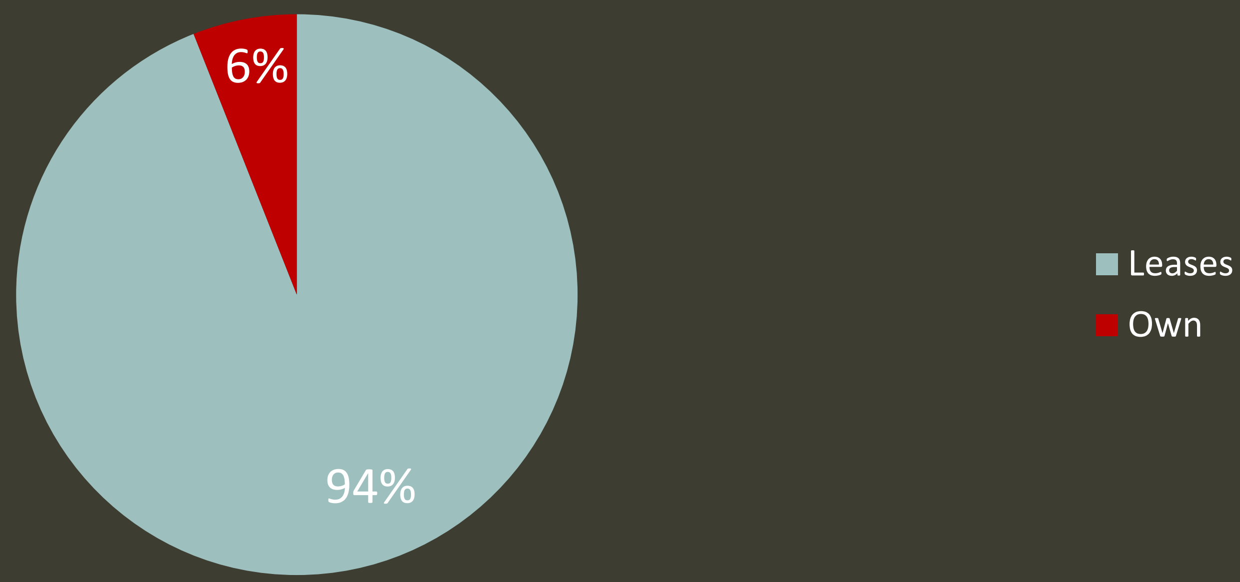
Rural communities

Niche Location

Locations



Locations – Leased



Employees

Approximately 13,000 full-time and 13,000 part-time team members

Additional part-time team members during peak periods

Store Layout

Open environment for optimal product placement and visual display

- Uniformity among the stores

Informative signs located in key product categories

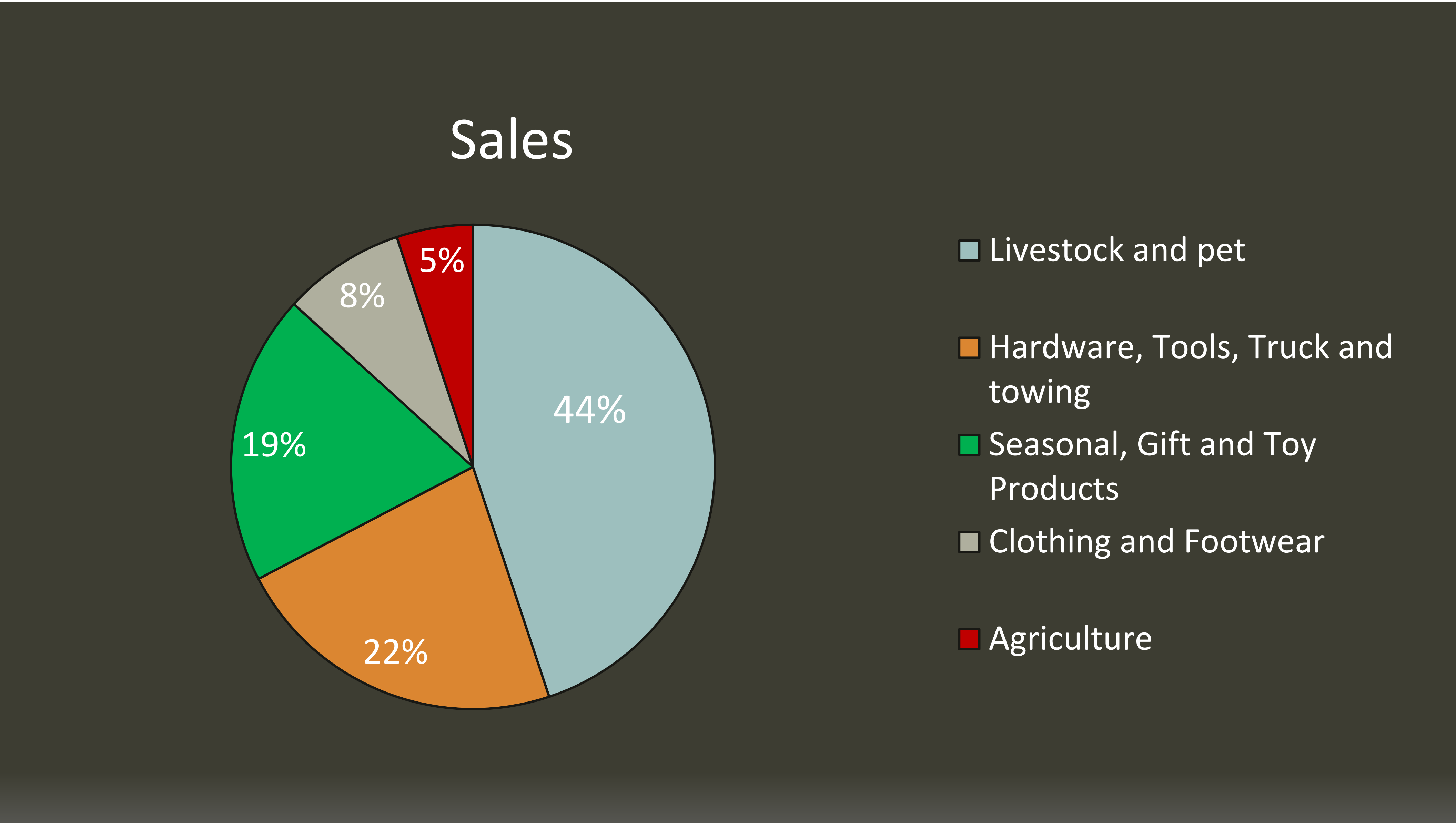
- Comparison of product qualities
- Clear pricing
- Product benefits
- Suggestions for appropriate accessories

Merchandise

Management tailored to meet the needs of various geographic markets

16,000 to 20,000 products per store

No one product accounted for more than 10% of our sales during 2016

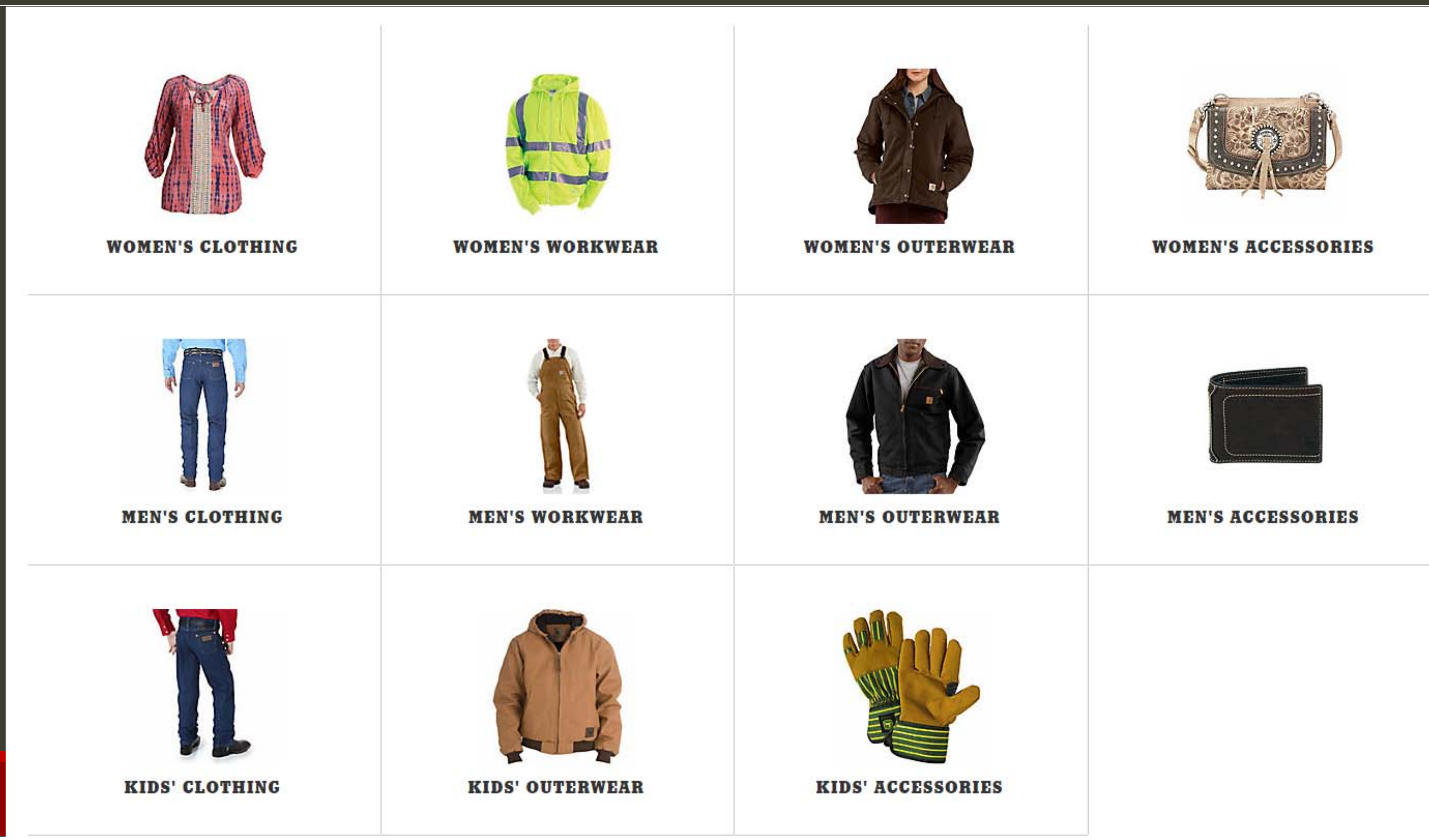

Sales
5%
8%
44%
19%
22%
Livestock and pet
Hardware, Tools, Truck and towing
Seasonal, Gift and Toy Products
Clothing and Footwear
Agriculture

Livestock and Pet

Hardware, Truck, Tools & Towing

Seasonal Gift, Toy and Product

Clothing and Footwear



Exclusive products

TSC

Paws & Claws
4health
C.E. SCHMIDT WORKWEAR
COUNTYLINE
DUMOR

Retriever
GROUNDWORK
JOBSMART

RED SHED
Royal Wing
Producer's PRIDE
HUSKEE
TRAVELLER

Business Strategy

Market Niche

Supply the needs of recreational farmers and ranchers

- "Out here lifestyle"

Tradesmen and small businesses

This Differentiates us from general merchandise, home center and other specialty retailers

Customers

Home, land, pet and livestock owners

Above average income

Below average cost of living

Primarily lives in towns outlying major metropolitan markets and in rural communities

Customer Service

Third party provider to measure our level of customer service

Team members wear highly visible red vests

Customer service and checkout counters located near the front of the store

Personnel and Training

Personnel

- General maintenance
- Equine
- Welding

Training

- New store opening
- Management training
- Customer service
- Online product knowledge
- Leadership development programs

Vendors

Approximately 850 vendors

No single vendor is more than 10%

Approximately 300 core vendors are 90%

No difficulty in obtaining alternative sources of supply

No long-term contractual commitments

Distribution

75% of merchandise through this network

Minimizes freight costs and improve the inventory turn rate

Total distribution capacity of 5.0 million square feet

Construction on a distribution center in New York DC

Distribution Facility Location	Approximate Square Footage	Owned/Leased Facility
Franklin, Kentucky	833,000	Owned
Pendleton, Indiana	764,000	Owned
Macon, Georgia	684,000	Owned
Waco, Texas	666,000	Owned
Casa Grande, Arizona	650,000	Owned
Hagerstown, Maryland [a]	482,000	Owned
Hagerstown, Maryland [a]	309,000	Leased
Waverly, Nebraska	422,000	Owned
Seguin, Texas [b]	71,000	Owned
Lakewood, Washington	64,000	Leased
Longview, Texas [b]	63,000	Owned

Stock Buy Back

Fiscal 2016 - repurchased approximately 4.4 million shares

Fiscal 2015 - repurchased approximately 3.4 million shares

$3 billion share repurchase program

Future Growth

Approx. 100 new Tractor Supply and 25 new Petsense stores

- Square footage increase of approximately 6.6%.

Have identified approximately 900 additional markets for new Tractor Supply stores

Risk

Weather conditions

Unable to increase sales in existing stores

Consumer spending is cyclical

Online Retailers

Competitive Advantage

Niche rural market

Smaller and more specialized than Home Depot or Lowes

Intangible Assets

Exclusive Products

Hiring locals who understand the community

Target market is fairly affluent

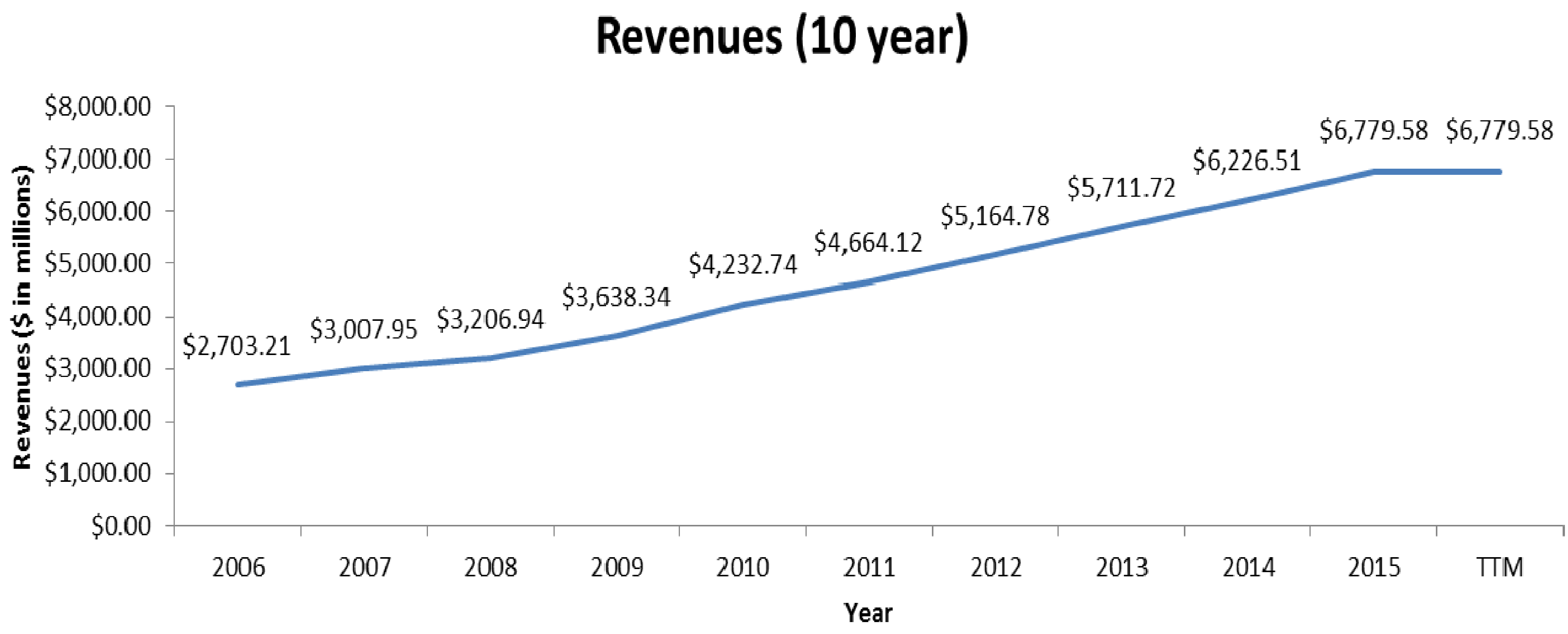
Qualitative Analysis

Qualitative Review	
What type of business is this?	Sustained Competitive Advantage
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	Yes
Does it require lots of research and development?	No
Can inventory become obsolete?	Yes
Are there chronic “one time” write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the company sell more in the future?	Yes
If I gave you $1 billion could you create a competitor?	Yes

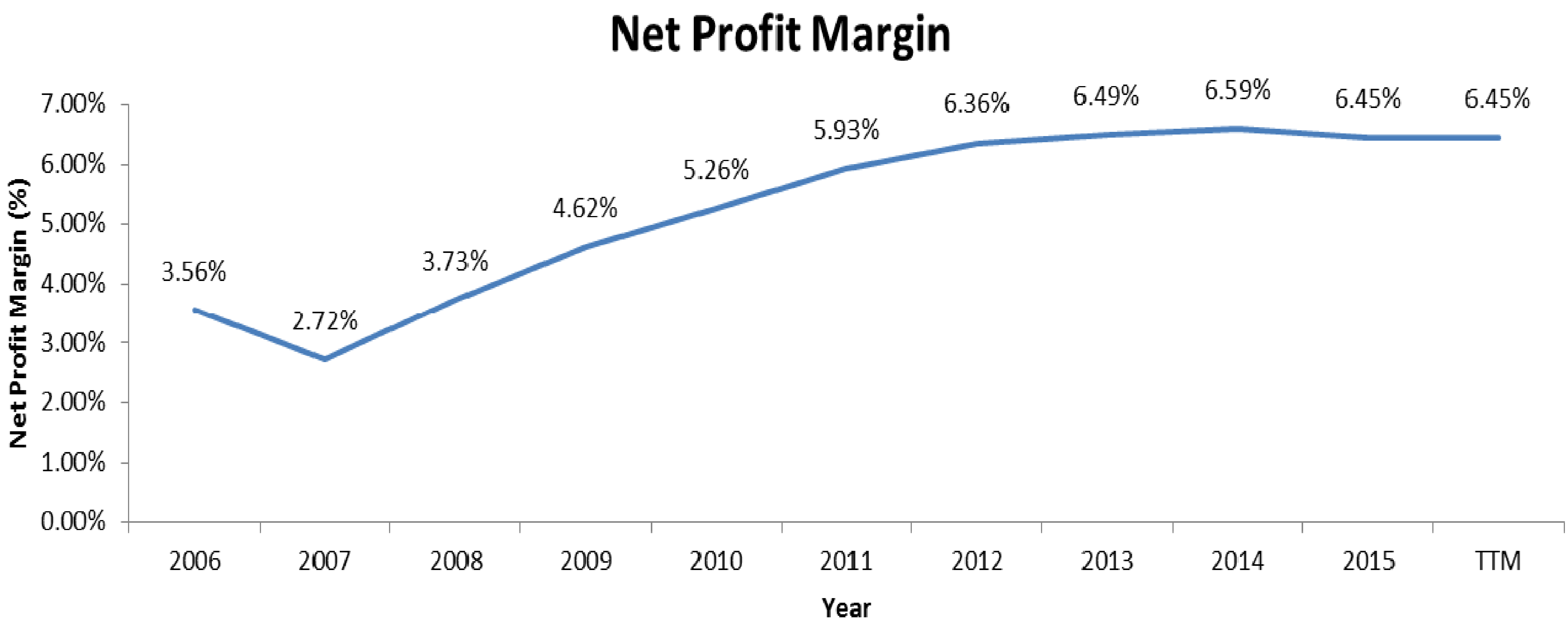
Quantitative Analysis

TTM	Value	Low Threshold	Pass?
Gross Profit Margin	34.30%	≥ 20%	Yes
% SGA	64.00%	≤ 80%	Yes
% R&D	0.00%	≤ 10%	Yes
% Depreciation	6.15%	≤ 10%	Yes
Interest % of OP	0.00%	≤ 15%	Yes
Net Profit Margin	6.45%	≥ 10%	No
Current Ratio	1.95	≥ 1	Yes
Obligation Ratio	5.33	< 5 years	No
Adj. Debt to Shareholder Equity	0.84	< 0.8	No
Return on Equity	30.08%	≥ 15%	Yes
Return on Capital	26.33%	≥ 15%	Yes
Dividend Payout Ratio	22.68%	≤ 60%	Yes
Preferred Stock	None	None	Yes
Capital	27.27%	≤ 25%	No
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

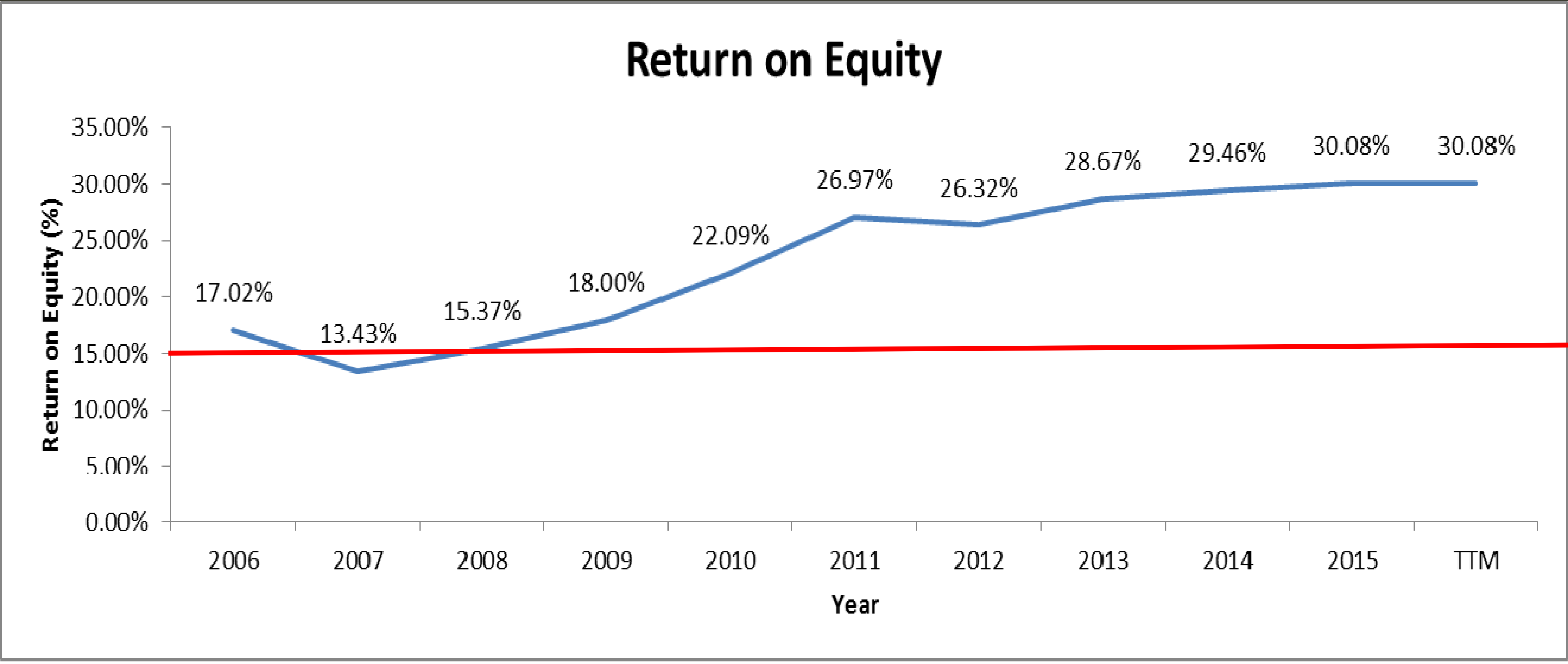
Revenues


Revenues (10 year)
$8,000.00
$7,000.00
$6,000.00
$5,000.00
$4,000.00
$3,000.00
$2,000.00
$1,000.00
$0.00
Revenues ($ in millions)
$2,703.21
$3,007.95
$3,206.94
$3,638.34
$4,232.74
$4,664.12
$5,164.78
$5,711.72
$6,226.51
$6,779.58
$6,779.58
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
TTM
Year

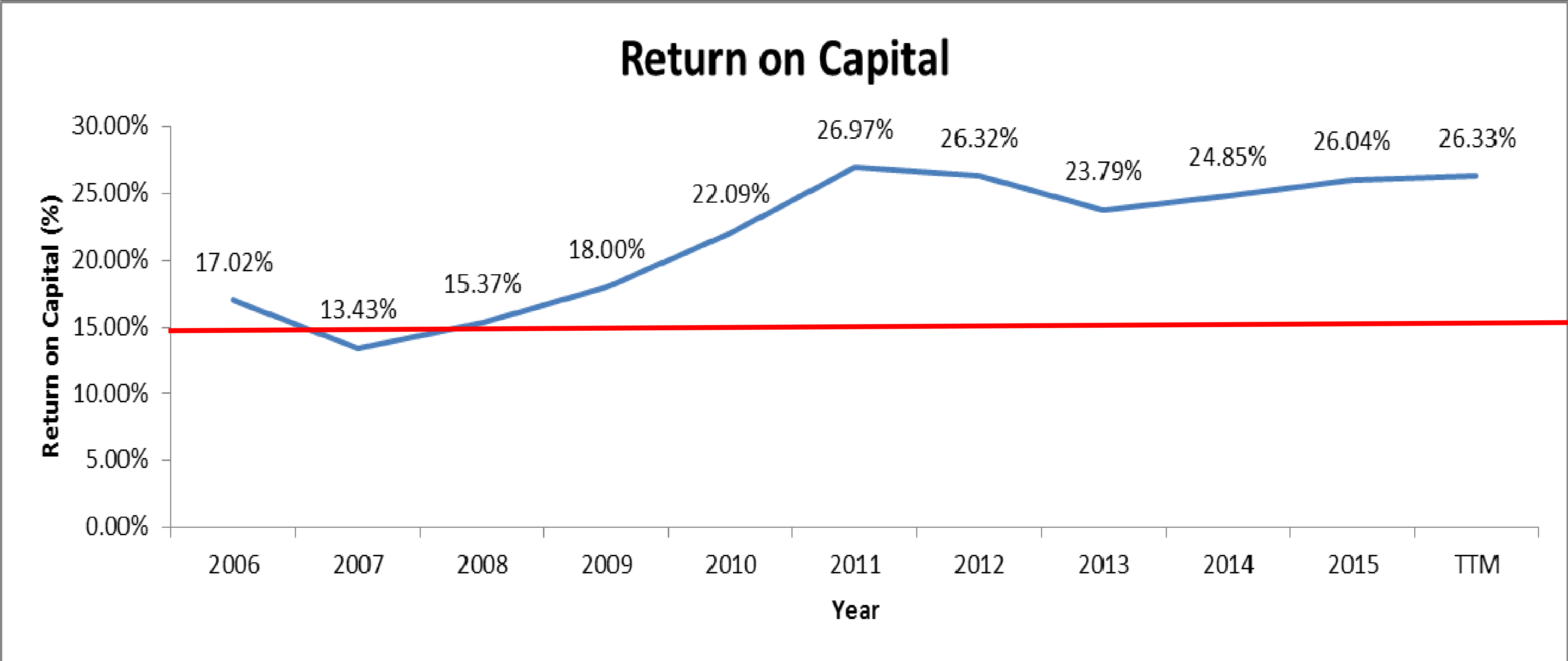
Net Profit Margin



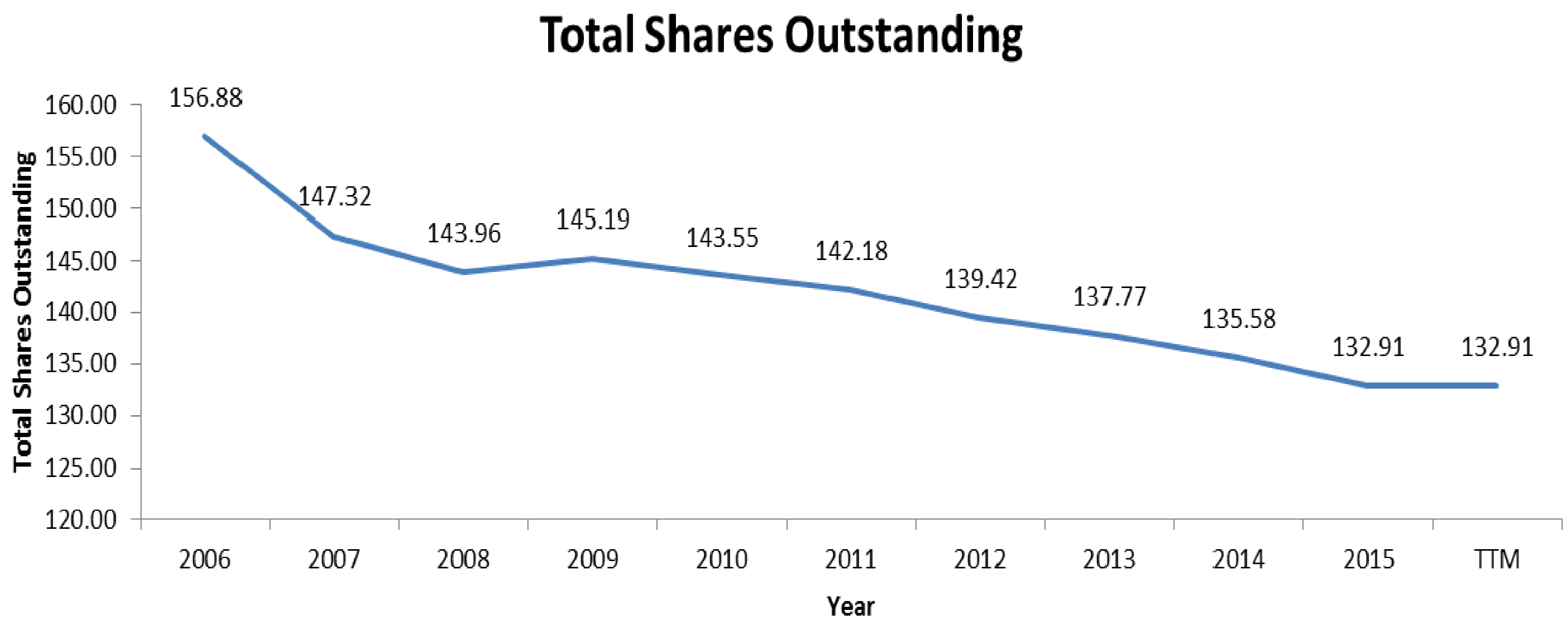
Return on Equity



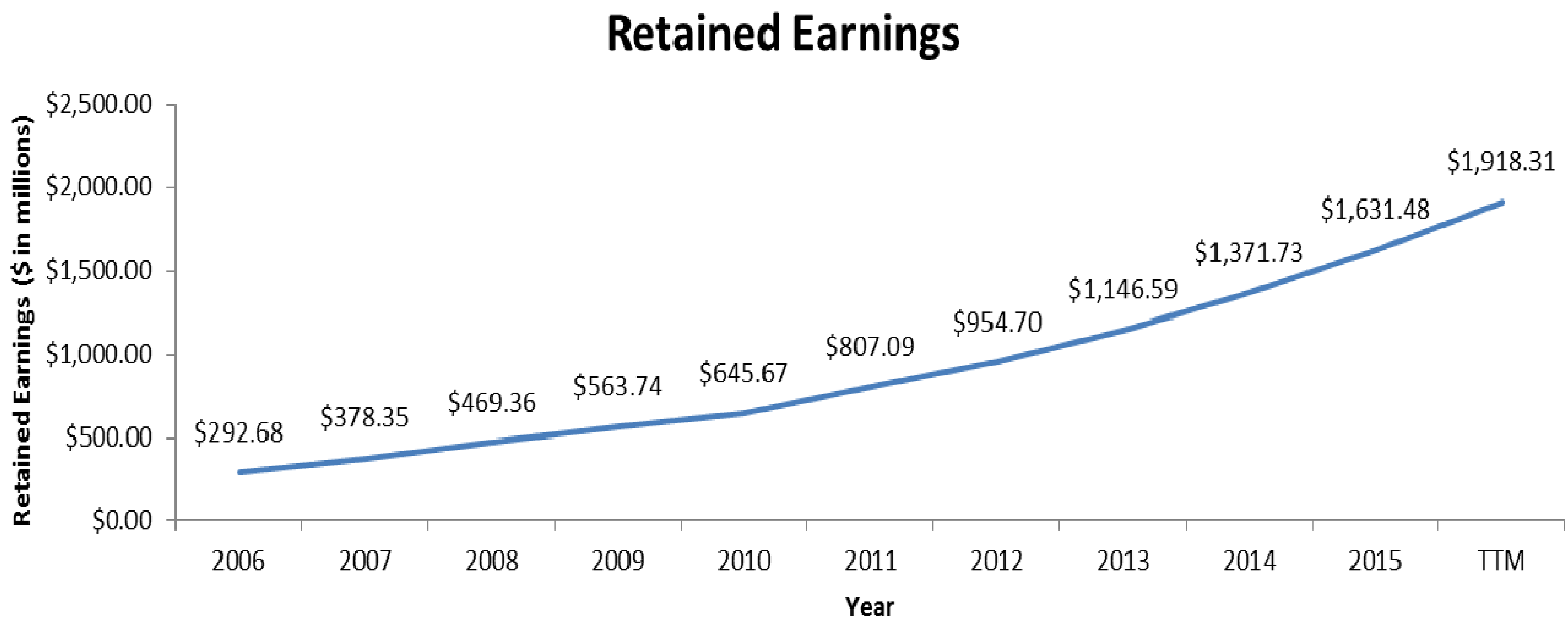
Return on Capital



Shares Outstanding



Retained Earnings



Statistical Array Analysis	Trend
Sales per Share	Increasing
Cash Flow per Share	Increasing
Earnings per Share	Increasing
Dividends per Share	Increasing
Book Value per Share	Increasing
Revenues	Increasing
Operating Profit Margin	Increasing
Net Profit	Increasing
Net Profit Margin	Increasing
Shareholder’s Equity	Increasing
Return on Assets	Increasing
Return on Equity	Increasing
Common Shares Outstanding	Decreasing
Long Term Debt	Increasing

DuPont Historical

TSCO	Total Asset Turnover	Net Profit Margin (%)	Financial Leverage Multiplier	Return on Equity (%)
TTM	2.53	6.45%	1.84	30.03%
2016	2.53	6.45%	1.84	30.03%
2015	2.63	6.59%	1.7	29.46%
2014	2.81	6.49%	1.57	28.63%

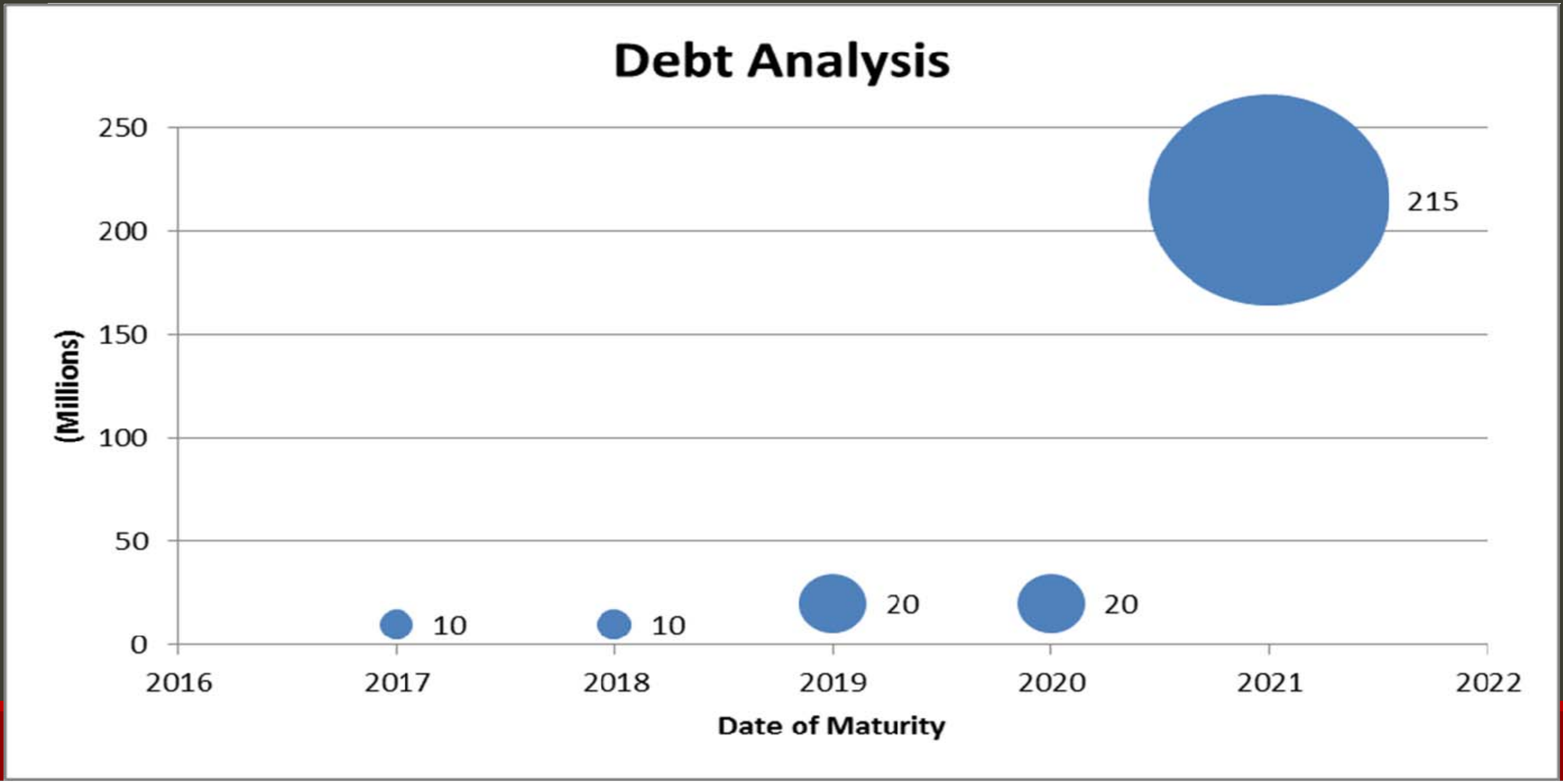
Industry Breakdown

	Total Asset Turnover	Net Profit Margin (%)	Financial Leverage Multiplier	Return on Equity (%)
Tractor Supply	2.53	6.45%	1.84	30.03%
Ace Hardware	2.96	3.14%	3.24	30.11%
True Value	1.62	1.60%	5.28	13.69%
Home Depot	2.20	8.41%	9.92	183.54%
Lowe's	1.89	4.76%	5.35	48.13%

Industry Breakdown	Tractor Supply	Ace Hardware	True Value	Home Depot	Lowe’s
Market cap	9.0 B	N/A	N/A	177.7 B	71.1B
Revenue	6.7 B	5.1 B	1.5 B	94.5 B	65.0B
P/E	19.87	N/A	N/A	23.98	24.16
P/S	1.29	N/A	N/A	2.03	1.15
P/B	5.87	N/A	N/A	42.93	12.05
EV/EBIT	13.27	N/A	N/A	14.79	14.70
ROA	17.04%	9.32%	2.53%	18.23%	8.85%
ROE	30.03%	30.11%	13.69%	183.54%	48.13%
Operating margins	10.24%	3.32%	2.44%	14.19%	8.99%
Net margins	6.45%	3.14%	1.60%	8.41%	4.76%

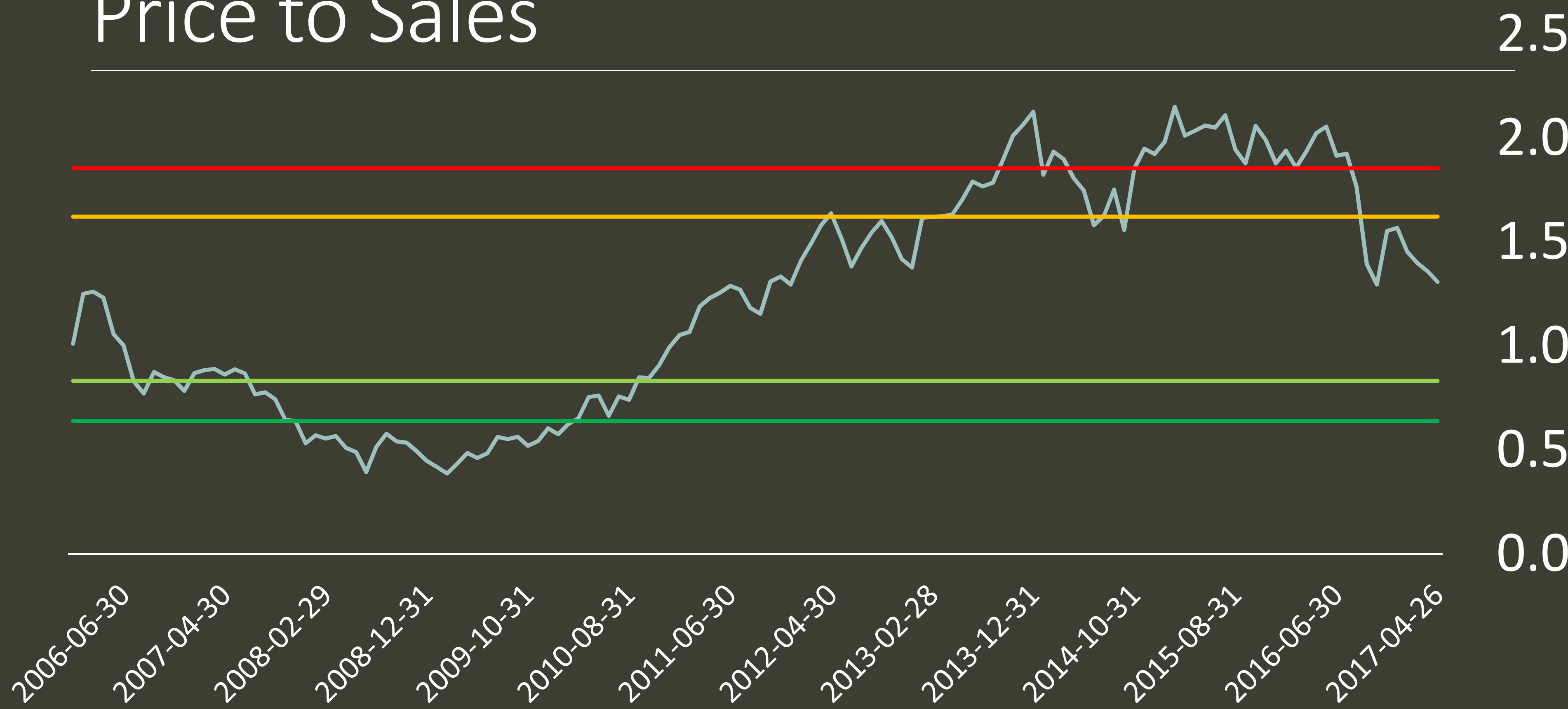
Debt Analysis

Debt Analysis

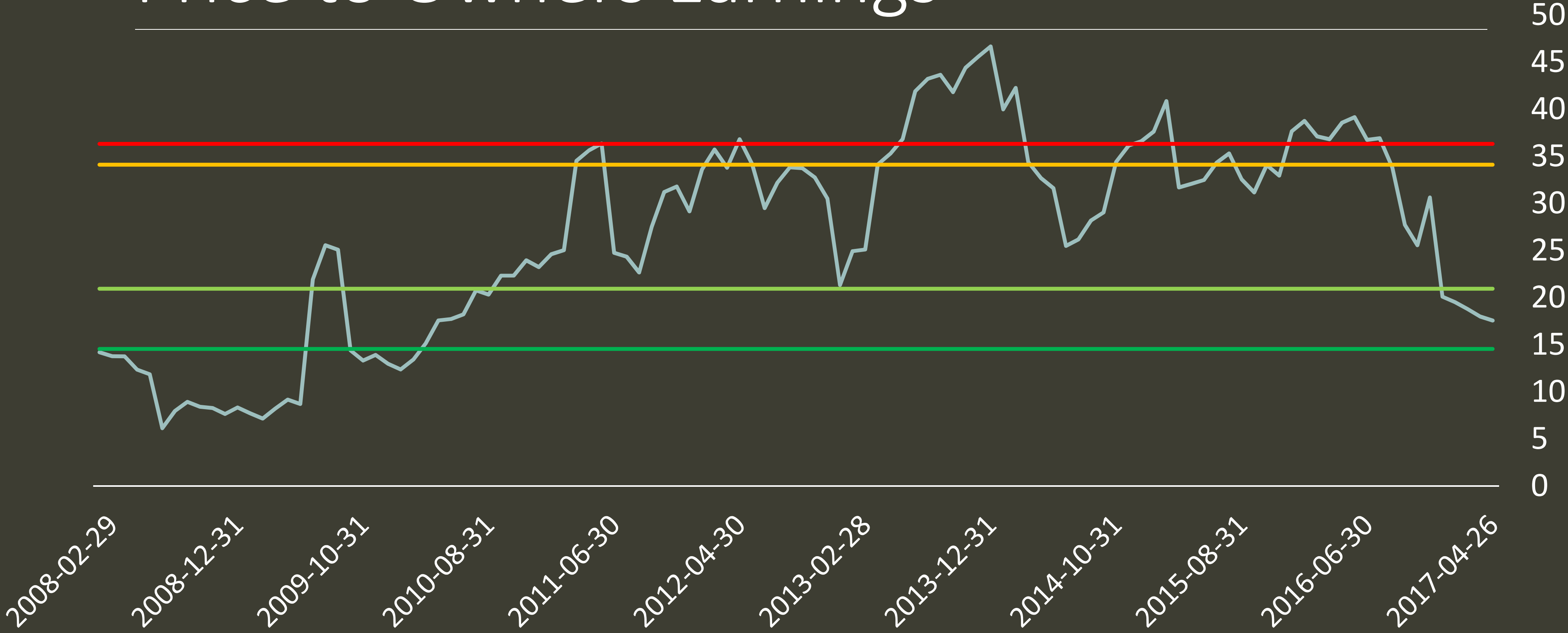


Valuebands

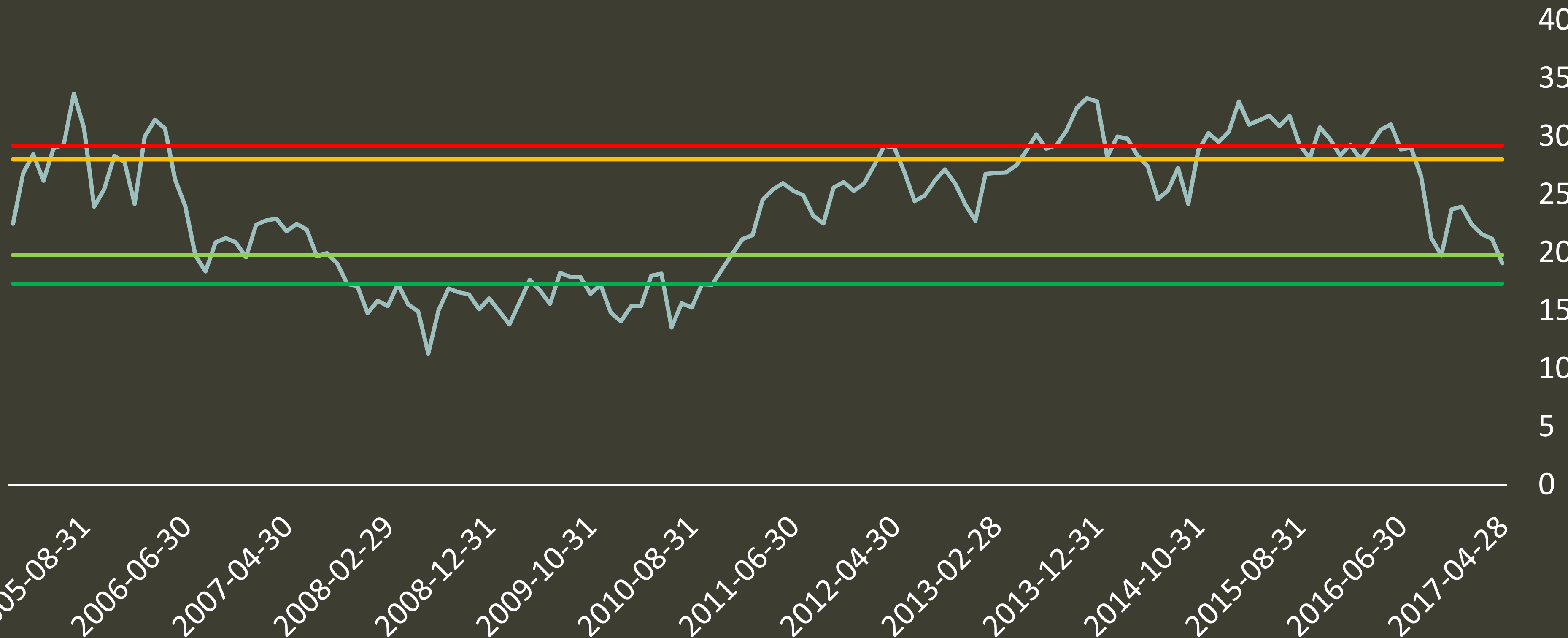
Price to Sales



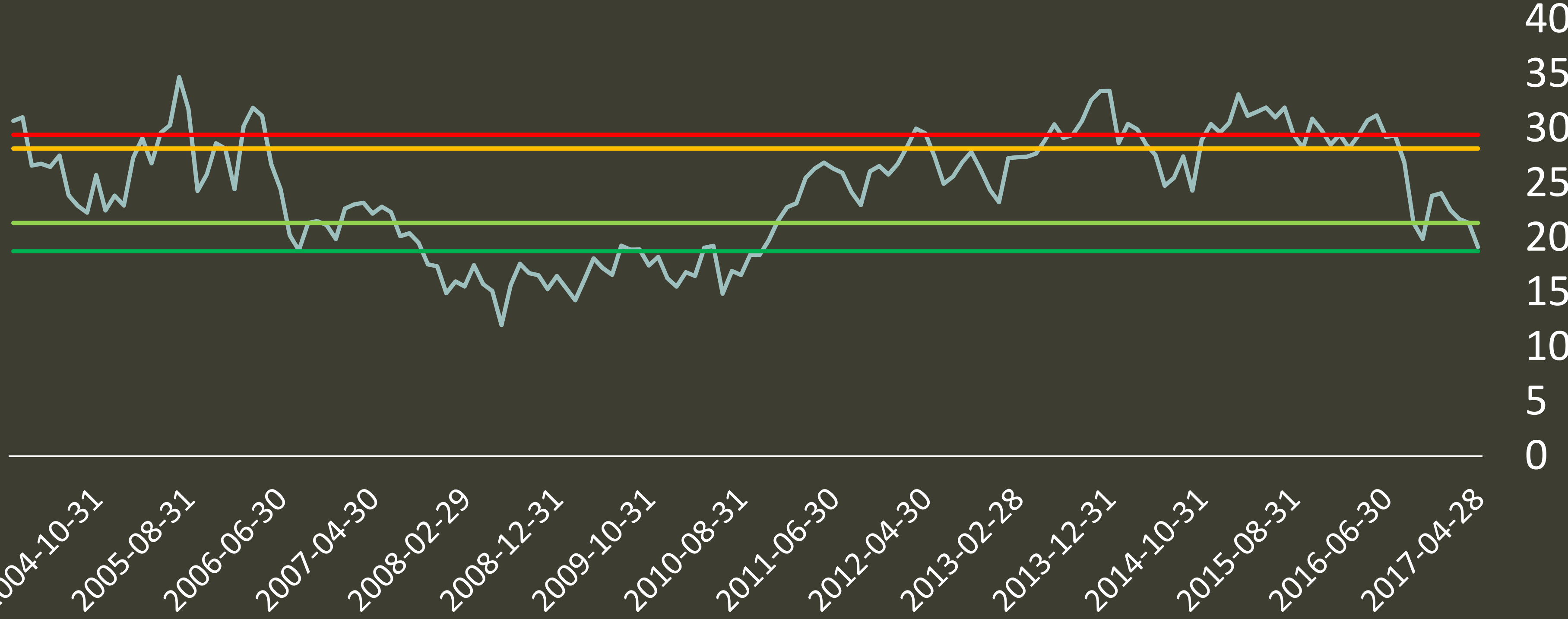
Price to Owners Earnings



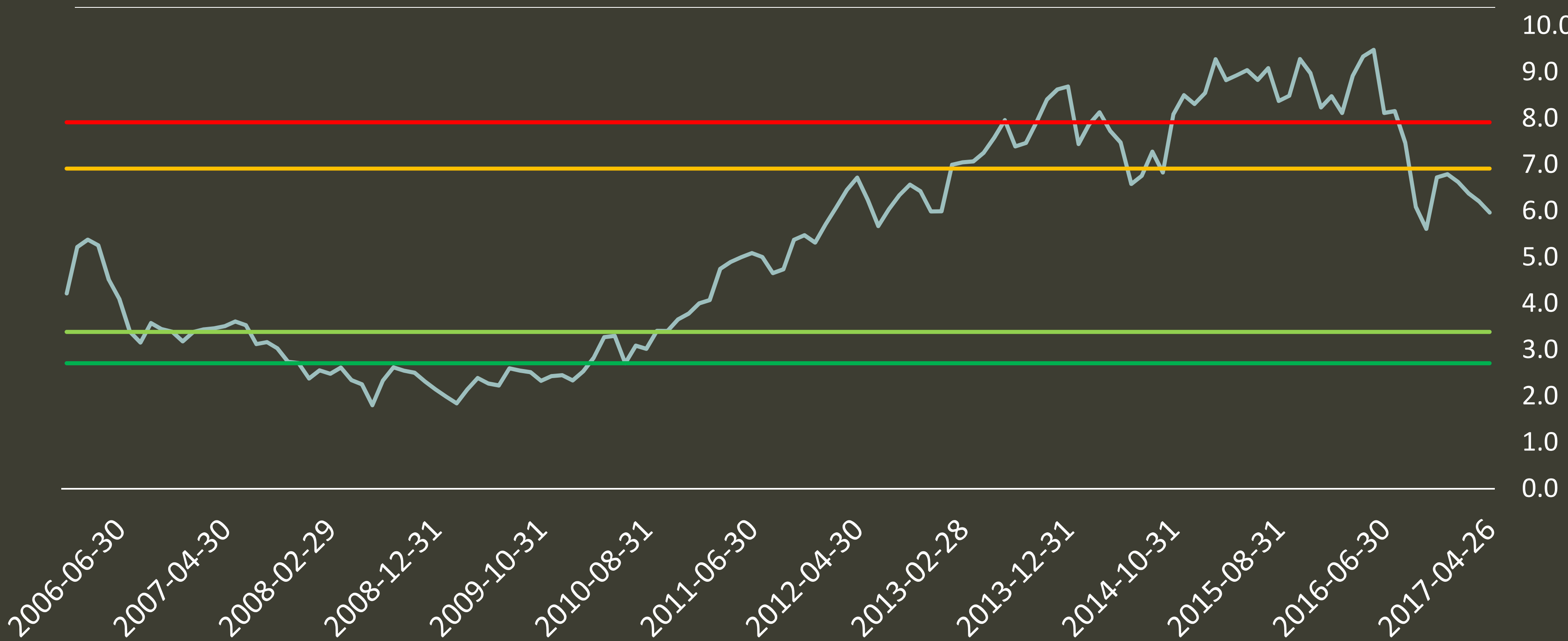
Price to Earnings less Cash



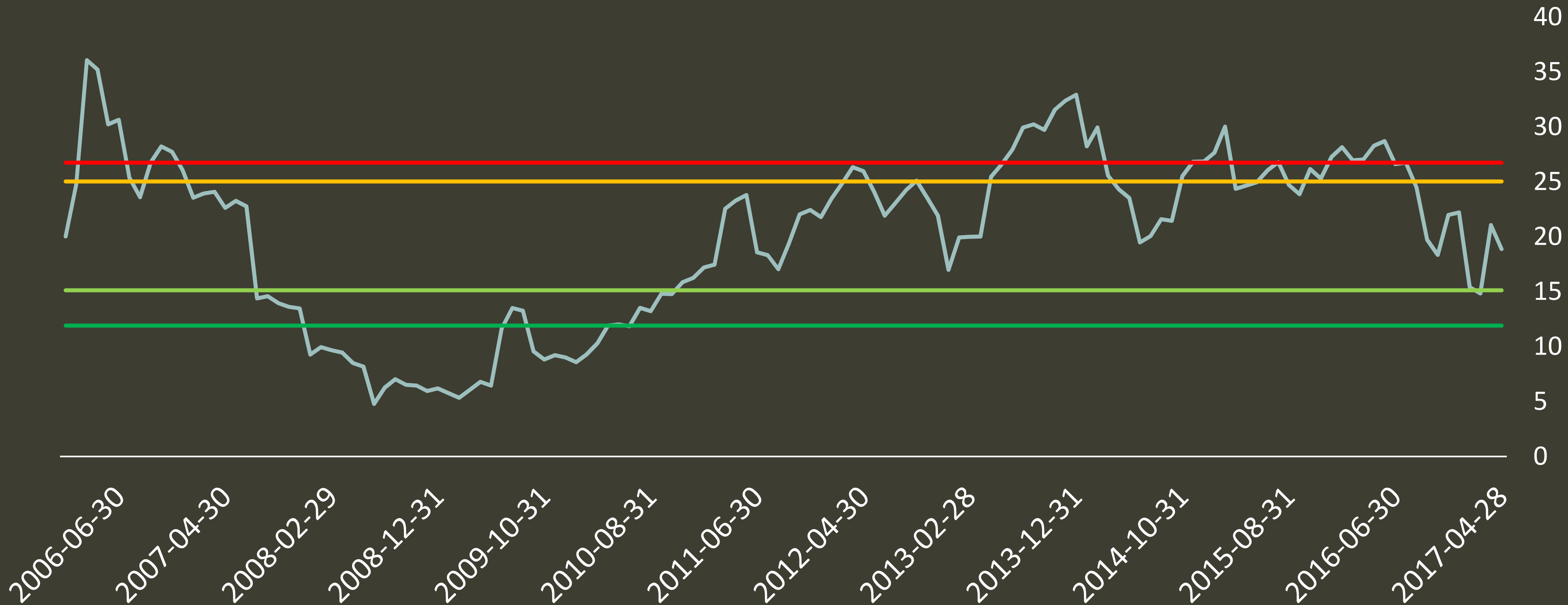
Price to Earnings



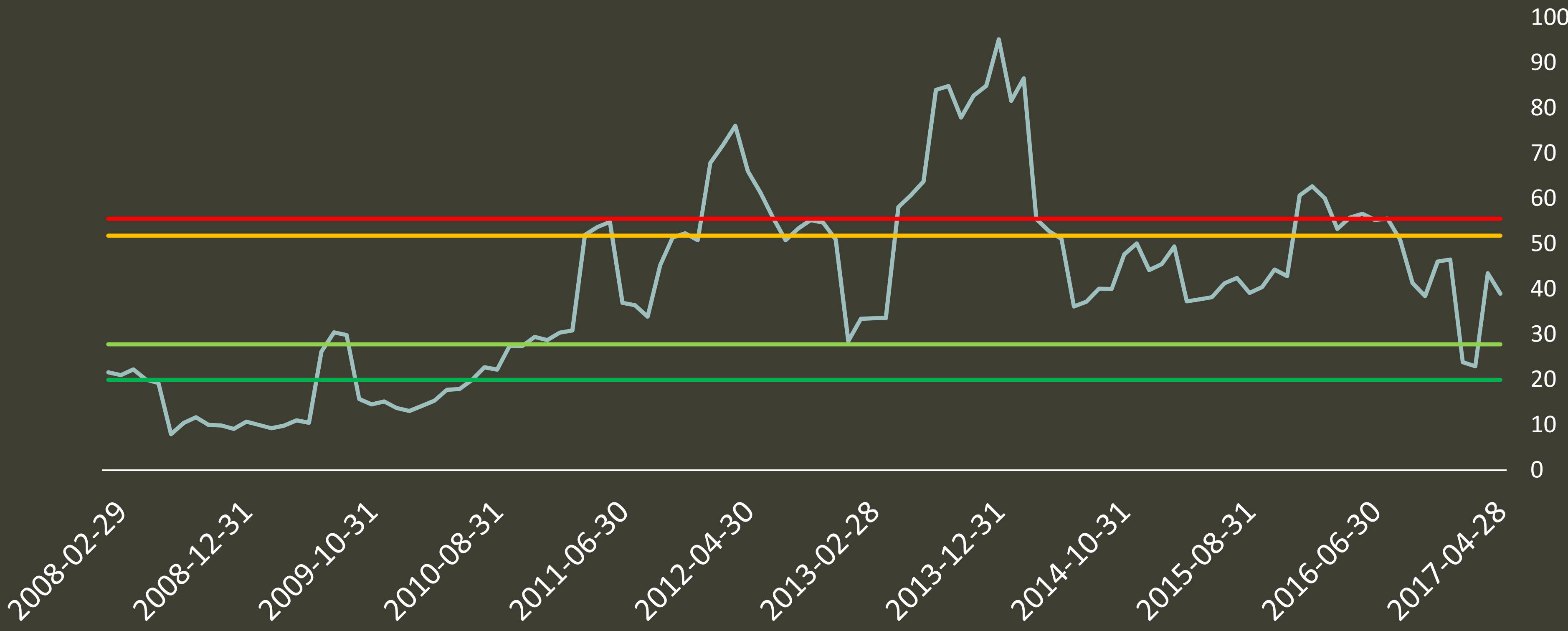
Price to Book



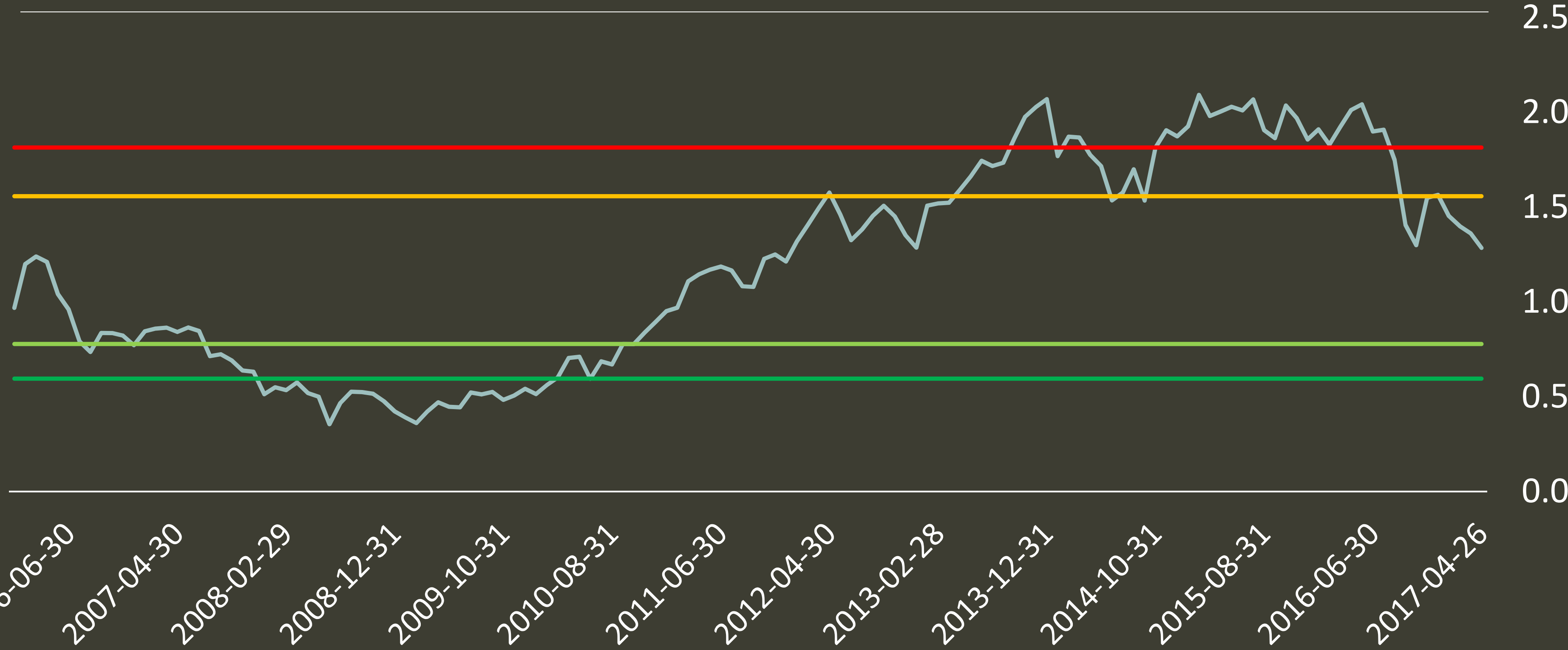
Price to Cashflow



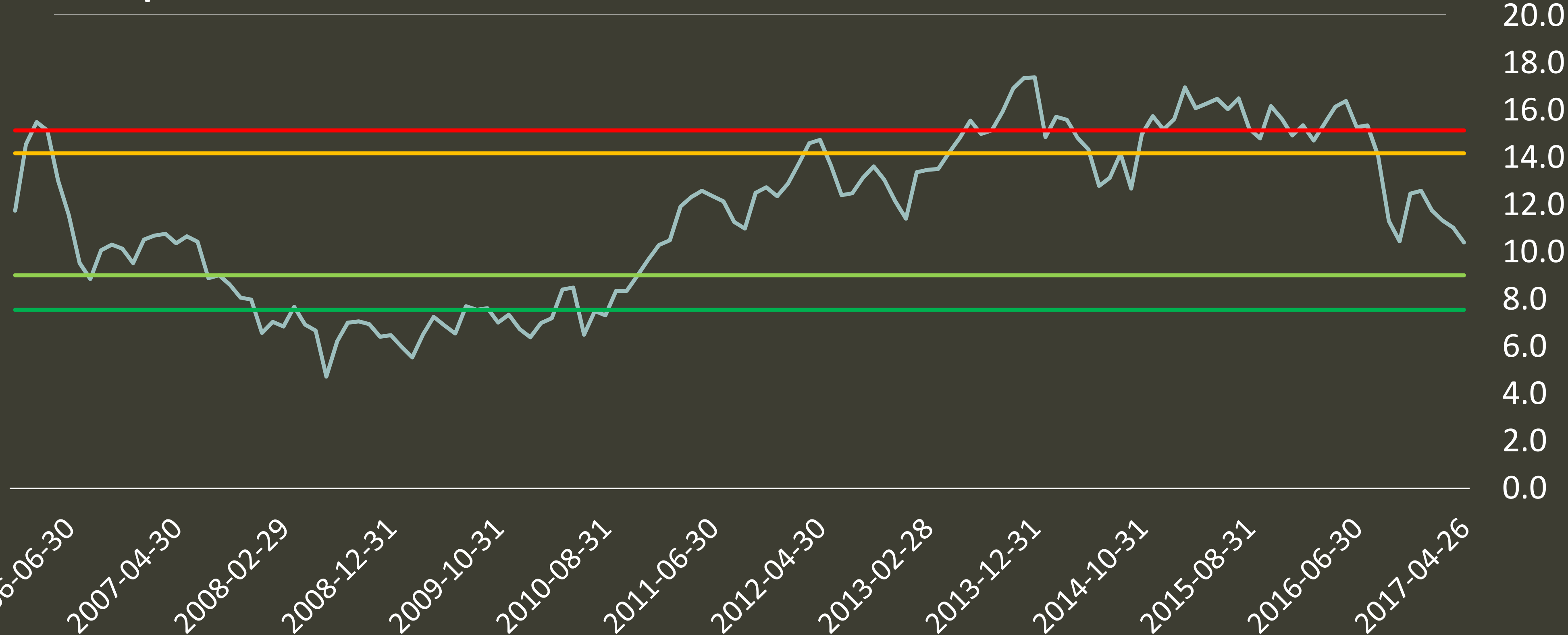
Price to Free Cashflow



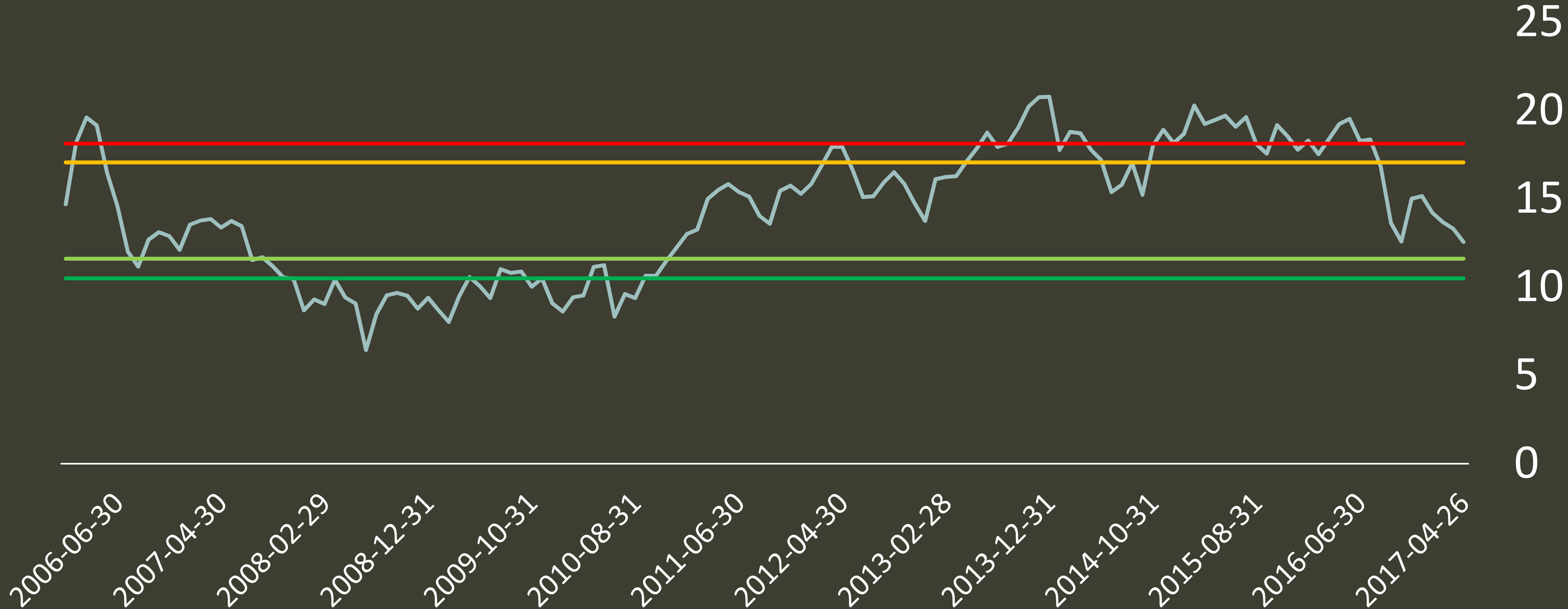
Enterprise Value to Revenue



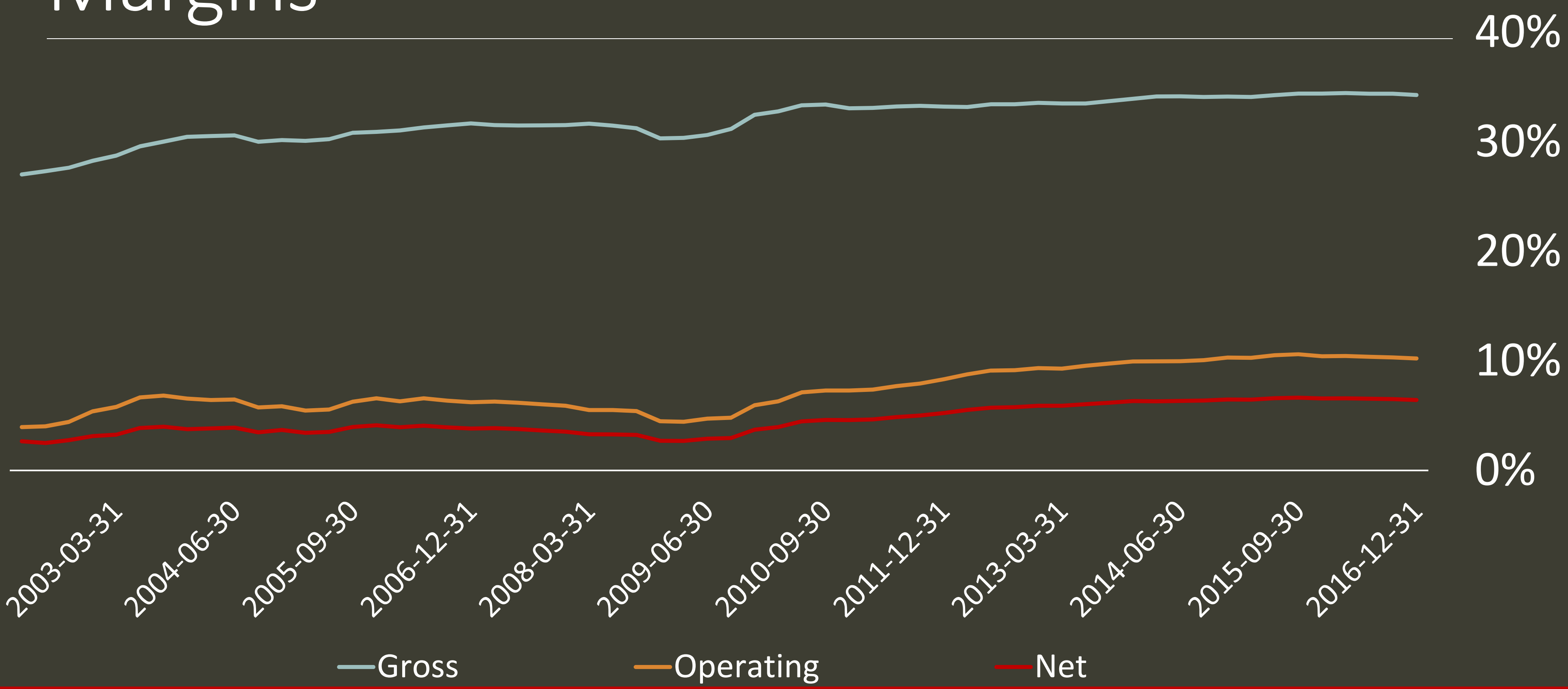
EV to Earnings before interest, tax, depreciation and amortization



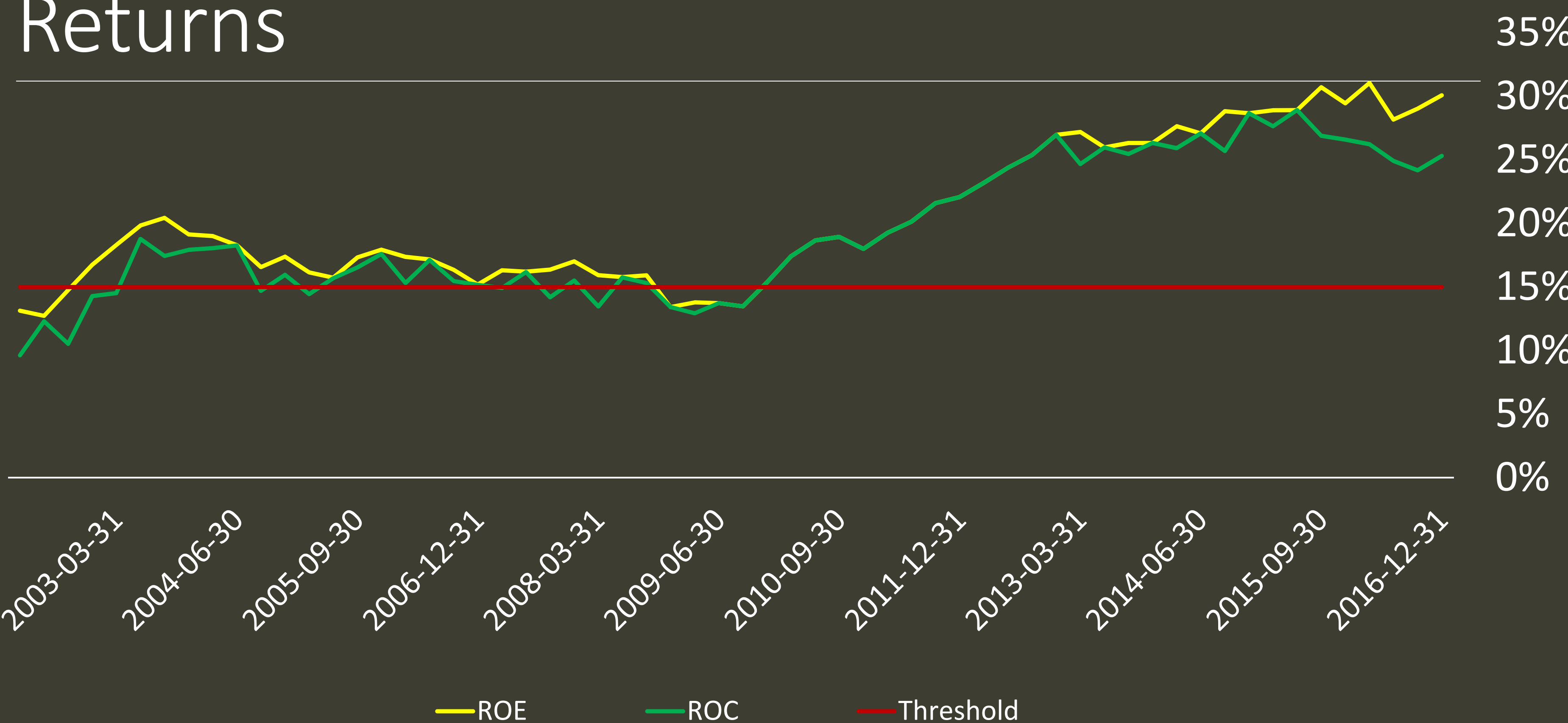
EV to Earnings before interest and tax



Margins


40%
30%
20%
10%
0%
2003-03-31
2004-06-30
2005-09-30
2006-12-31
2008-03-31
2009-06-30
2010-09-30
2011-12-31
2013-03-31
2014-06-30
2015-09-30
2016-12-31
Gross
Operating
Net

Returns



35%
30%
25%
20%
15%
10%
5%
0%
2003-03-31
2004-06-30
2005-09-30
2006-12-31
2008-03-31
2009-06-30
2010-09-30
2011-12-31
2013-03-31
2014-06-30
2015-09-30
2016-12-31
ROE
ROC
Threshold

Discounted Cash Flow

DCF - Default

User Defined DCF: Default

Earnings Per Share :	$ 3.27	
Growth Rate In the Next :	10 Years: 16	%
Terminal Growth Rate :	4	%
Years of Terminal Growth :	10	
Discount Rate :	12	%

DCF | Reverse DCF NEW

Fair Value : $ 71.47

Tangible Book Value :	$ 10.11
	Add to Fair Value
Growth Value :	$ 39.86
Terminal Value :	$ 31.6
Stock Price:	$ 62.17
Margin Of Safety:	13%

Financial Data of Tractor Supply Co

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13.20	12.20	11.40
EBITDA Growth (%)	20.60	16.30	10.60
EBIT Growth (%)	22.30	16.70	9.10
EPS without NRI Growth (%)	22.90	16.60	9.00
Free Cash Flow Growth (%)		28.30	119.20
Book Value Growth (%)	12.60	10.00	6.70

DCF

User Defined DCF: Default

Earnings Per Share: $ 3.27

Growth Rate In the Next: 10 Years: 10

Terminal Growth Rate: 4

Years of Terminal Growth: 10

Discount Rate: 12

DCF | Reverse DCF NEW

Fair Value: $ 48.24

Tangible Book Value: $ 10.11

Add to Fair Value

Growth Value: $ 29.65

Terminal Value: $ 18.58

Stock Price: $ 62.17

Margin Of Safety: -29%

Financial Data of Tractor Supply Co

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13.20	12.20	11.40
EBITDA Growth (%)	20.60	16.30	10.60
EBIT Growth (%)	22.30	16.70	9.10
EPS without NRI Growth (%)	22.90	16.60	9.00
Free Cash Flow Growth (%)		28.30	119.20
Book Value Growth (%)	12.60	10.00	6.70

DCF

User Defined DCF: Default

Earnings Per Share: $ 3.27

Growth Rate In the Next: 10 Years: 10 %

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 10 %

DCF | Reverse DCF NEW

Fair Value : $ 57.03

Tangible Book Value: $ 10.11

Add to Fair Value

Growth Value: $ 32.7

Terminal Value: $ 24.33

Stock Price: $ 62.17

Margin Of Safety: -9%

Financial Data of Tractor Supply Co

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13.20	12.20	11.40
EBITDA Growth (%)	20.60	16.30	10.60
EBIT Growth (%)	22.30	16.70	9.10
EPS without NRI Growth (%)	22.90	16.60	9.00
Free Cash Flow Growth (%)		28.30	119.20
Book Value Growth (%)	12.60	10.00	6.70

DCF - Reverse

DCF | Reverse DCF NEW

Growth Rate :	**11.28%**	
Revenue Growth Rate :	**13.20%**(10y)	**12**
EBITDA Growth Rate :	**20.60%**(10y)	**16**
Earnings Growth Rate :	**22.90%**(10y)	**16**
Free Cash Flow Growth Rate :	**0.00%**(10y)	**28.**
Book Value Growth Rate :	**12.60%**(10y)	**10**

Financial Data of Tractor Supply Co

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13.20	12.20	11.40
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EPS without NRI Growth (%)	22.90	16.60	9.00
Free Cash Flow Growth (%)		28.30	119.20
Book Value Growth (%)	12.60	10.00	6.70

Conscious Investor

3 year

	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years
EPS ($)	0.600	0.548	0.788	1.125	1.505	1.900	2.320	2.660	3.000	3.270	$3.270	3
SPS ($)	18.029	20.749	22.223	24.997	29.697	33.553	36.983	41.880	46.389	51.834		3

HGROWTH	STAEGR®
10.87%	99.55%
11.25%	99.91%

3 year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	65.56	$3.270	26.96	10.87%	25.0%	23.39%
Safety	65.56	$3.270	16.60	9.29%	24.3%	3.98%

Cut P/E – 38%
Cut Growth – 14%

6 year

	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years
EPS ($)	0.600	0.548	0.788	1.125	1.505	1.900	2.320	2.660	3.000	3.270	$3.270	6
SPS ($)	18.029	20.749	22.223	24.997	29.697	33.553	36.983	41.880	46.389	51.834		6

HGROWTH	STAEGR®
16.62%	96.18%
11.73%	99.63%

6 year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	65.56	$3.270	26.96	16.62%	25.0%	23.31%
Safety	65.56	$3.270	16.60	10.48%	24.3%	8.26%

Cut P/E – 38%

Cut Growth – 37%

10 year

	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	EPSttm	Years
EPS ($)	0.600	0.548	0.788	1.125	1.505	1.900	2.320	2.660	3.000	3.270	$3.270	10
SPS ($)	18.029	20.749	22.223	24.997	29.697	33.553	36.983	41.880	46.389	51.834		10

HGROWTH	STAEGR®
24.01%	85.85%
12.61%	98.32%

10 year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	65.56	$3.270	26.96	24.01%	25.0%	28.27%
Safety	65.56	$3.270	16.60	11.21%	24.3%	10.13%

Cut P/E – 38%

Cut Growth – 53%

6 year – Kill it

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	65.56	$3.270	26.96	16.62%	25.0%	23.31%
Safety	65.56	$3.270	16.60	10.48%	24.3%	8.26%
Saved 2017-04-27	65.56	$3.270	14.00	6.00%	0.0%	-0.16%

Cut P/E – 48%
Cut Growth – 64%
Cut Payout – 100%

Intraportfolio

Symbol	P/E
AIG	n/a
BBBY	8.56
IBM	13.16
AXP	14.57
MCK	16.07
UHAL	16.37
DG	16.40
BRK.B	17.16
WMT	17.17
QCOM	17.67
TSCO	19.96
CHRW	20.27
ORCL	21.29
UNP	21.68
PII	25.79
PEP	26.01
NSRGY	28.26
MSFT	31.08

Symbol	P/S
MCK	0.16
BBBY	0.48
WMT	0.48
CHRW	0.80
DG	0.93
PII	1.20
AIG	1.28
TSCO	1.30
BRK.B	1.84
IBM	1.93
UHAL	2.12
AXP	2.37
PEP	2.63
NSRGY	2.68
QCOM	3.40
UNP	4.63
ORCL	5.04
MSFT	6.26

Symbol	EV/EBIT
AXP	0.05
BBBY	5.97
UHAL	9.56
DG	10.87
WMT	11.43
BRK.B	11.58
MCK	12.04
UNP	13.32
TSCO	13.35
CHRW	13.46
ORCL	13.50
IBM	14.69
QCOM	15.13
PEP	18.14
NSRGY	19.53
PII	19.56
MSFT	21.55
AIG	66.08

Symbol	P/FCF
UHAL	n/a
MCK	5.41
BBBY	8.79
AXP	11.05
WMT	11.25
IBM	13.40
QCOM	14.17
PII	15.20
ORCL	16.28
MSFT	19.50
DG	19.72
BRK.B	21.12
TSCO	21.18
NSRGY	22.10
PEP	22.36
UNP	22.99
CHRW	23.80
AIG	27.82

Symbol	ROE
IBM	68.90
PEP	53.33
CHRW	41.86
TSCO	30.50
BBBY	26.36
AXP	25.67
DG	23.21
MSFT	23.11
PII	22.99
MCK	21.65
UNP	20.79
ORCL	18.60
UHAL	18.13
WMT	17.59
QCOM	14.47
NSRGY	13.94
BRK.B	9.05
AIG	-0.98

Conclusion

Niche Market

Intangible Assets

Exclusive Brands

Improving Margins

Growth potential

Trading for a great value

Recommendation

Current Price	P/OE	P/E	P/FCF
$61.85	18.24	18.76	3.09
Per Share figures	2.10	3.27	19.96
*based on 20 percentile	$38.30	$61.35	$61.67
Average Price	**$53.78**		

Put at $60 with a Premium of $1.30
Entry price $58.70
Expiration of June 16, 2017


Moving Forward
with Confidence
TSC TRACTOR SUPPLY CO