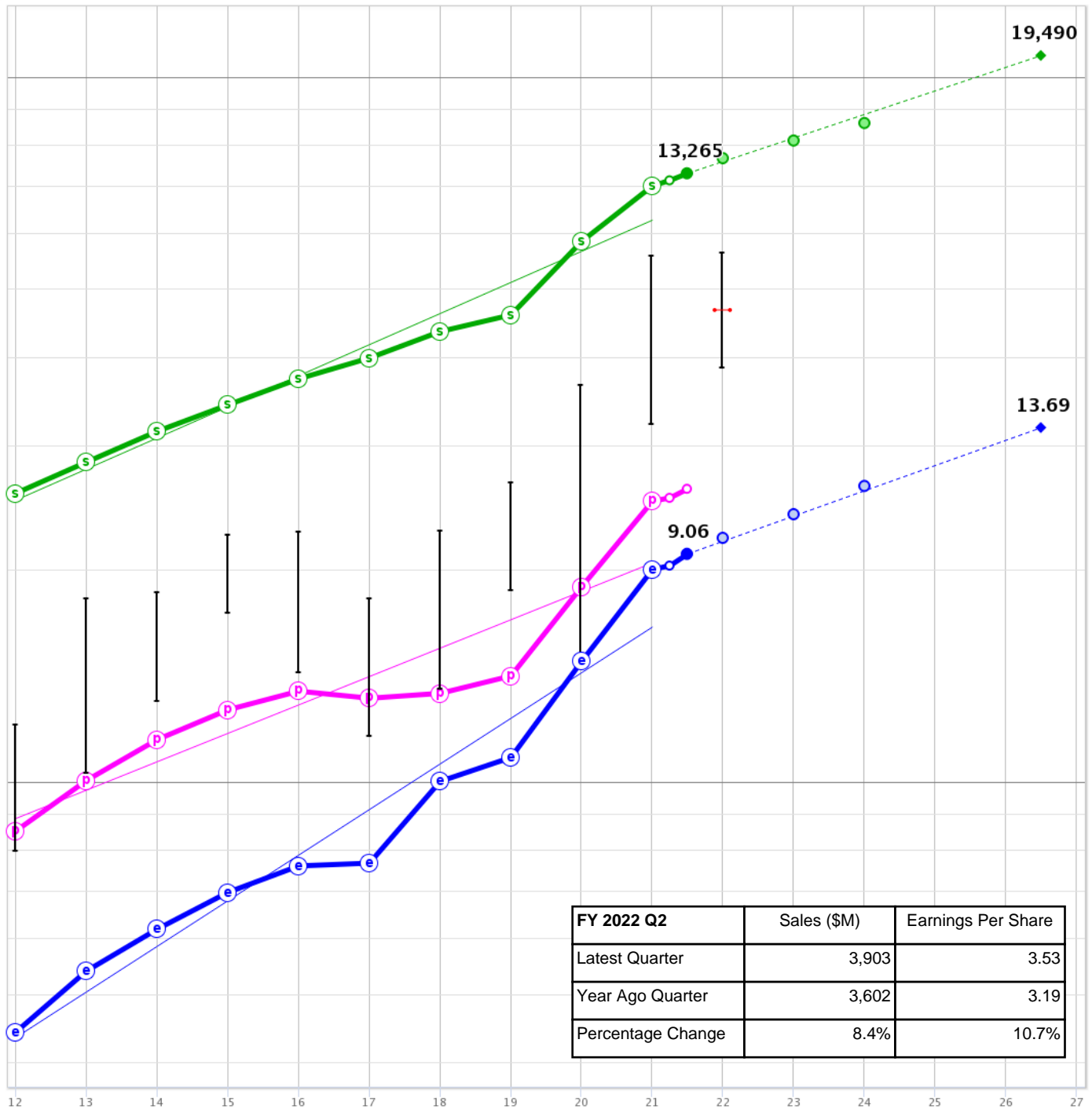


# Stock Selection Guide

Company	Tractor Supply		Date	09/09/22	
Prepared by	O'MARA		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Specialty Retail		
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	112.3		4.4	80.1	
Debt (\$M)	3,934.5	% to Tot Cap	67.3	% Pot Dil	0.7

Symbol: TSCO

## 1 VISUAL ANALYSIS of Sales, Earnings, and Price



- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 10.7% | (3) Historical Earnings Per Share Growth       | 16.1% |
| (2) Estimated Future Sales Growth | 8.0%  | (4) Estimated Future Earnings Per Share Growth | 8.6%  |

## 2 EVALUATING Management

Tractor Supply

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Last 5 Year Avg.
% Pre-tax Profit on Sales	9.3%	10.0%	10.3%	10.4%	10.2%	9.3%	8.6%	8.7%	9.1%	10.1%	9.2%
% Earned on Equity	25.8%	27.4%	29.5%	30.1%	29.2%	30.2%	35.1%	36.9%	39.5%	48.2%	38.0%
% Debt To Capital	0.1%	0.1%	0.4%	10.8%	17.2%	24.6%	22.0%	63.4%	64.8%	66.2%	48.2%

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

**CLOSING PRICE** 200.92 (09/09/22)

**52-WEEK HIGH** 241.54

**52-WEEK LOW** 166.49

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2017	78.3	49.9	3.30	23.7	15.1	1.05	31.8	2.1
2018	97.7	58.3	4.31	22.7	13.5	1.20	27.8	2.1
2019	114.3	80.3	4.66	24.5	17.2	1.36	29.2	1.7
2020	157.1	63.9	6.38	24.6	10.0	1.50	23.5	2.3
2021	239.5	138.1	8.61	27.8	16.0	2.08	24.2	1.5
AVERAGE		78.1		23.9	15.5		27.3	
CURRENT/TTM			9.06			3.68	40.6	
AVERAGE PRICE EARNINGS RATIO: 19.7					CURRENT PRICE EARNINGS RATIO: 22.2			

## 4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 21.5 X Estimate High Earnings/Share 13.69 = Forecasted High Price \$ 294.3

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 14.4 X Estimate Low Earnings/Share 8.72 = Forecasted Low Price \$ 125.6

(b) Avg. Low Price of Last 5 Years 78.1

(c) Recent Market Low Price 63.9

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{3.68}{2.35\%} = 156.7$

Selected Forecasted Low Price \$ 162.0

### C ZONING using 25%-50%-25%

Forecasted High Price 294.3 Minus Forecasted Low Price 162.0 = 132.3 Range. 25% of Range 33.1

Buy Zone 162.0 to 195.1

Hold Zone 195.1 to 261.3

Sell Zone 261.3 to 294.3

Present Market Price of 200.92 is in the **HOLD** Zone

### D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price}} = \frac{294.3 - 200.92}{200.92} = 0.4649$   
 $\frac{\text{Present Price} - \text{Low Price}}{\text{Present Price} - \text{Low Price}} = \frac{200.92 - 162.0}{200.92 - 162.0} = 0.1942$   
 Ratio =  $\frac{0.4649}{0.1942} = 2.4$  To 1

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{294.3 - 200.92}{200.92} = 0.4649$   
 $0.4649 \times 100 = 46.49\% \approx 46.5\%$  % Appreciation

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A  $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{2.08}{200.92} = 0.0183 = 1.8\%$  Current Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{27.3\%}{21.50} = 1.3\%$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{27.3\%}{17.95} = 1.5\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 7.9 %  
 Average Yield 1.3 %  
 Annualized Rate of Return 9.2 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 4.1 %  
 Average Yield 1.5 %  
 Annualized Rate of Return 5.6 %