Tractor Supply Company

Recommendation HOLD ★★★★★

Price
USD 225.67 (as of market close Jan 27, 2023)

12-Mo. Target Price
USD 241.00

Report Currency
USD

Investment Style
Large-Cap Growth

Equity Analyst Siye Desta

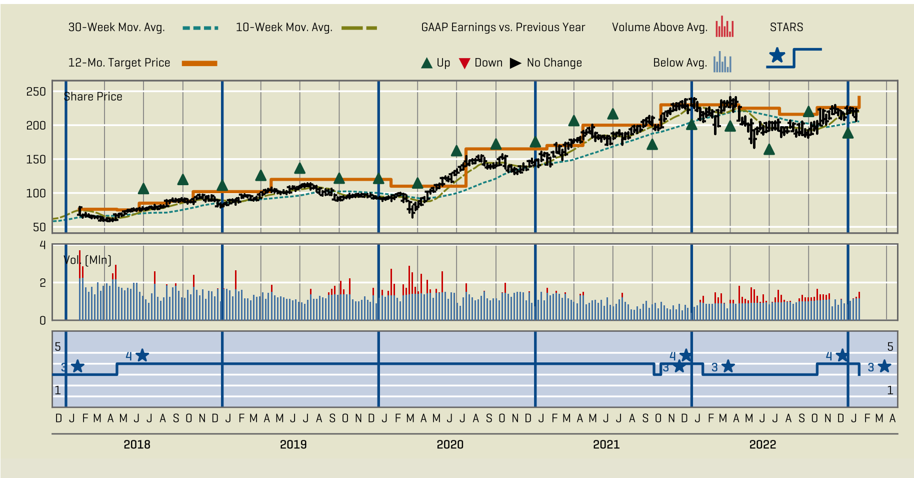
GICS Sector Consumer Discretionary
Sub-Industry Specialty Stores

Summary This specialty retailer supplies recreational farmers, ranchers, and all those who enjoy living rural lifestyles, as well as tradesmen and small businesses.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 241.54 - 166.49**	Oper.EPS2023**E**	**USD 10.57**	Market Capitalization[B]	**USD 25.04**	Beta	**0.87**
Trailing 12-Month EPS	**USD 9.71**	Oper.EPS2024**E**	**USD 11.52**	Yield [%]	**1.62**	3-yr Proj. EPS CAGR[%]	**15**
Trailing 12-Month P/E	**23.24**	P/E on Oper.EPS2023**E**	**21.35**	Dividend Rate/Share	**USD 3.68**	SPGMI's Quality Ranking	**A+**
USD 10K Invested 5 Yrs Ago	**30,615.0**	Common Shares Outstg.[M]	**110.00**	Trailing 12-Month Dividend	**USD 2.76**	Institutional Ownership [%]	**87.0**

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by **Siye Desta** on Jan 27, 2023 05:34 PM ET, when the stock traded at **USD 225.67**.

Highlights

▶ We expect revenues to grow 7.1% in 2023 and 5.4% in 2024 after impressive 11.6% growth in 2022, driven primarily from store expansions and remodels, along with market share gain and pricing inflation. We see sales growth normalizing towards mid to high-single digits heading in 2023 and 2024, as the company continues to execute its long-term strategic plan to aggressively expand its store footprint, remodel stores and add side lots to hundreds of stores.

▶ We expect continued pressure on operating margin over the near term as TSCO ramps up its two new distribution centers, transportation costs remain high, and demand normalizes for higher margin items. We see operating margin at 10.2% in 2023 and 10.3% in 2024 compared to 10.2% in 2022, due to higher costs being offset by topline growth as TSCO continues to gain market share in its categories.

▶ TSCO's continues to invest heavily in growth, particularly on technology, Project Fusion and Side Lot (its store remodeling initiatives), and expanding its total store count. TSCO continues to return cash to shareholders with a quarterly dividend of $0.92 and plans to spend between $575M and $675M on share repurchases in 2023.

Investment Rationale/Risk

▶ Our Hold opinion reflects a view that TSCO's valuation looks stretched, as the company continues to execute its strategic growth plan and benefit from sustainable tailwinds such as high pet ownership (livestock & pet products make up roughly 50% of sales). The company has embraced the rise of the omni-channel business model by improving its website, mobile app, and expanding to one day delivery, leaving the company well-positioned for future growth. Over the next twelve months, we see continued execution of its long-term strategic plan to open new stores (70 Tractor Supply & 10-15 Petsense in 2023) and demand resilience in the majority of its product categories; primarily in the consumable, usable, and edible category.

▶ Risks to our opinion and target price include lower comparable store sales growth, improvement or deterioration of current supply chain disruptions, extreme weather conditions, and competition from larger home improvement stores.

▶ Our 12-month target of $241 is equal to 23x our 2023 EPS estimate and in line with TSCO's three-year average forward P/E, given its continued financial flexibility and its high level of execution and growth.

Analyst's Risk Assessment

LOW | MEDIUM | HIGH

Our risk assessment reflects TSCO's specialized market niche, catering to untapped rural areas and consumers with above-average incomes and a below-average cost of living, which we believe differentiates TSCO from other general merchandise retailers, pet retailers, value retailers, and home center retailers. Our view is also supported by structural and sustainable trends, namely a Covid-19 induced urban exodus and a jump in pet adoptions.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2024	**E** 3,477	**E** 4,508	**E** 3,796	**E** 4,247	**E** 16,028
2023	**E** 3,311	**E** 4,294	**E** 3,598	**E** 4,006	**E** 15,209
2022	3,024	3,903	3,271	4,006	14,205
2021	2,792	3,602	3,018	3,319	12,731
2020	1,959	3,176	2,607	2,878	10,620
2019	1,822	2,354	1,984	2,192	8,352

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2024	**E** 1.98	**E** 4.33	**E** 2.59	**E** 2.62	**E** 11.52
2023	**E** 1.81	**E** 3.97	**E** 2.35	**E** 2.44	**E** 10.57
2022	1.65	3.53	2.10	2.43	9.71
2021	1.55	3.19	1.95	1.93	8.61
2020	0.71	2.90	1.62	1.15	6.38
2019	0.63	1.80	1.04	1.21	4.68

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.9200	Nov 03	Nov 18	Nov 21	Dec 06 '22
0.9200	Aug 04	Aug 19	Aug 22	Sep 07 '22
0.9200	May 10	May 24	May 25	Jun 08 '22
0.9200	Jan 26	Feb 17	Feb 21	Mar 08 '22

Dividends have been paid since 2010 . Source: Company reports
Past performance is not an indication of future performance and should not be relied upon as such.
Forecasts are not a reliable indicator of future performance.
Dividends paid in currencies other than the Trading currency have been accordingly converted for display purposes.

Tractor Supply Company

Business Summary Jul 21, 2022

CORPORATE PROFILE. Tractor Supply Company is the largest rural lifestyle retailer in the U.S. The company focuses on supplying the needs of anyone who enjoys living the rural lifestyle. The company's target customers generally have above average income and below average cost of living. Its business is very seasonal primarily due to weather conditions, with sales and its bottom line highest in the second and fourth quarter. During the spring and summer, if weather is abnormally cool, it negatively affects earnings since potential customers are disincentivized to shop for outdoor products. The same is true when the weather is abnormally warm in the fall and winter. In 2021, the company operated 2,181 retail stores in 49 states, which include Tractor Supply and Del's retail stores (2,003 in FY 21) and Petsense retail stores (178).

The company has one reportable segment, which is the retail sale of products that support the rural lifestyle. The company offers its customer a wide range of products, with 16,000 to 22,000 products available per Tractor Supply store along with 170,000 products online. No single product or vendor accounted for more than 10% of the company's sales or purchases for FY 21. The major product categories include equine, livestock, pet, hardware, truck, towing, seasonal products, apparel, and maintenance products. Approximately 375 core vendors accounted for 90% of the company's merchandise. The company also offers exclusive brands which account for 29% of its sales -- the brands include 4 health (pet foods and supplies), Producer's Pride (livestock and horse feed and supplies), American Farmworks (livestock, farm and ranch equipment), Red Shed (gifts, collectibles, and outdoor furniture), Bit & Bridle (apparel and footwear), Redstone (heating products), Blue Mountain (apparel) Retriever (pet foods and supplies), C.E. Schmidt (apparel and footwear), Ridgecut (apparel), Countyline (livestock, farm and ranch equipment), Royal Wing (bird feed and supplies), Dumor (livestock and horse feed and supplies), Strive (pet food), Groundwork (lawn and garden supplies), Traveller (truck and automotive products), Huskee (outdoor power equipment), Treeline (hunting gear and accessories), JobSmart (tools), TSC Tractor Supply Co (trailers, truck tool boxes, and animal bedding), Paws & Claws (pet foods and supplies), and Untamed (pet foods).

CORPORATE STRATEGY. The company's strategy is to continue offering a wide assortment of products to its core customers in the niche rural lifestyle market along with an exceptional shopping experience. The company has done this by focusing on its enhanced omnichannel shopping experience, which includes engaging its customers through its in-store, e-commerce websites, and mobile application. The company has also enhanced the shopping experience for its customers through its buy online and pickup in-store, ship to store capabilities for drive-thru pick up, Neighbor's Club loyalty program, and its Customer Solutions Center.

Tractor Supply Company also believes that given the size of the communities that it targets, there is ample opportunity for new store growth in many existing and new markets. As result, the company opened 80 new Tractor Supply stores and 9 Petsense stores in 2021 with plans to open 75 to 80 new Tractor Supply stores and 10 new Petsense stores in 2022.

MAJOR DEVELOPMENTS. The company is building two new distribution centers that are approximately 900,000 sq ft. The distribution center being built in Navarre, Ohio, is expected to be completed in 2022, and the new distribution center being built in Maumelle, Arkansas, is expected to be completed in late 2023. The company's distribution facilities network is important given that 76% of merchandise received by Tractor Supply stores were through its network while the remainder was directly shipped from its vendors to its stores or customers.

The company is also in the process of completing its acquisition of Orscheln Farm and Home, LLC, a farm and ranch retailer with 167 retail stores for approximately $320 million in an all-cash transaction and announced a $2.0 billion increase of its existing share repurchase program.

COMPETITIVE LANDSCAPE. Tractor Supply Company competes in a competitive retail industry that is highly fragmented but differentiates itself by focusing on its specialized niche market for customer in the rural lifestyle segment. The company's competitors include general merchandise retailers, home center retailers, pet retailers, specialty and discount retailers, independently owned retail farm and ranch stores, regional farm store chains and farm cooperatives, as well as internet-based retailers.

FINANCIAL TRENDS. In FY 21, the company's 5-year net sales CAGR was 13.43% and net sales increased to $12.73 billion from $10.62 billion in FY 20. The comparable store sales growth increased 16.9% in FY 21, lower than the 23.1% increase in FY 20. This was primarily driven by the diminishing positive impacts that Covid-19 travel restrictions had on demand for the company's products.

The company's adjusted operating income increased to $1.31 billion in FY 21 from $996.9 million in FY 20, while the adjusted operating margin increased to 10.26% from 9.39% over the respective period. However, this increase was in part attributable to an impairment charge recognized in FY 20 related to Petsense for about $74 million.

In terms of the company's balance, the company's leverage slightly weakened, and its liquidity slightly improved over the past year. The company's total debt to capital and net debt to EBITDA increased to 66.2% and 1.6x in FY 21 from 64.8% and 1.2x in FY 20, while the company's Current Ratio and Quick Ratio decreased to 1.6x and 0.4x from 1.9x and 1.6x in FY 20.

Corporate information

Investor contact
M. W. Pilkington (615 440 4000)

Office
5401 Virginia Way, Brentwood, Tennessee, 37027

Telephone
615 440 4000

Fax
N/A

Website
www.tractorsupply.com

Officers

President, CEO & Director
H. A. Lawton

President, CEO & Director
H. A. Lawton

Senior VP, General Counsel & Corporate Secretary
N. L. Ellison

Executive VP, CFO & Treasurer
K. D. Barton

Independent Chairman the Board
C. T. Jamison

Executive VP and Chief Technology, Digital Commerce & Strategy Officer
R. D. Mills

Board Members

A. J. Hawaux
C. T. Jamison
D. L. Jackson
E. K. Morris
H. A. Lawton
J. H. Scarlett
J. T. Brown
M. J. Weikel
R. Cardenas
R. Krishnan
T. A. Kingsbury

Domicile
Delaware

Auditor
N/A

Founded
1938

Employees
50,000

Stockholders
N/A

Tractor Supply Company

Quantitative Evaluations

Fair Value Rank

1	2	3	4	5

LOWEST HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **USD 230.94** Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that TSCO is undervalued by USD 5.27 or 2.34%

Volatility LOW AVERAGE HIGH

Technical Evaluation **NEUTRAL** Since January, 2023, the technical indicators for TSCO have been NEUTRAL"

Insider Activity UNFAVORABLE NEUTRAL FAVORABLE

Expanded Ratio Analysis

	2022	2021	2020	2019
Price/Sales	1.78	2.08	1.62	1.33
Price/EBITDA	14.19	16.12	12.28	11.87
Price/Pretax Income	17.97	20.65	17.82	15.41
P/E Ratio	23.17	26.51	21.38	19.72
Avg. Diluted Shares Outstg. (M)	112.15	115.82	117.44	120.74

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	**1 Year**	**3 Years**	**5 Years**
Net Income	9.19	24.63	20.84
Sales	11.57	19.37	14.38
Ratio Analysis (Annual Avg.)			
Net Margin (%)	7.66	7.52	7.20
% LT Debt to Capitalization	18.44	17.70	16.14
Return on Equity (%)	53.83	49.18	43.84

Company Financials Fiscal year ending Dec 31

Per Share Data (USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Tangible Book Value	16.20	17.21	16.07	12.21	11.80	10.33	10.15	10.30	9.41	8.85
Free Cash Flow	5.24	4.45	9.46	4.96	3.39	2.99	3.20	1.62	1.80	0.83
Earnings	9.71	8.61	6.38	4.66	4.31	3.30	3.27	3.00	2.66	2.32
Earnings (Normalized)	9.71	8.61	6.87	4.68	4.31	3.33	3.27	3.00	2.66	2.32
Dividends	3.68	2.08	1.50	1.36	1.20	1.05	0.92	0.76	0.61	0.49
Payout Ratio (%)	37.62	23.97	23.32	28.93	27.63	31.67	27.97	25.12	22.66	20.86
Prices: High	241.54	238.28	157.07	114.25	97.65	78.25	97.25	96.28	79.14	77.00
Prices: Low	166.49	138.14	63.89	80.31	58.27	49.87	61.50	74.52	55.95	42.92
P/E Ratio: High	24.90	27.70	22.90	24.40	22.70	23.50	29.70	32.10	29.80	33.20
P/E Ratio: Low	17.10	16.00	9.30	17.20	13.50	15.00	18.80	24.80	21.00	18.50
Income Statement Analysis (Million USD)										
Revenue	14,205	12,731	10,620	8,352	7,911	7,256	6,780	6,227	5,712	5,165
Operating Income	1,435	1,370	1,188	743.00	702.00	686.00	694.00	651.00	589.00	515.00
Depreciation + Amortization	343.00	270.00	217.00	196.00	177.00	166.00	143.00	124.00	115.00	100.00
Interest Expense	31.00	27.00	29.00	20.00	18.00	14.00	6.00	3.00	2.00	1.00
Pretax Income	1,404	1,280	968.00	723.00	683.00	673.00	688.00	648.00	588.00	514.00
Effective Tax Rate	22.50	22.10	22.60	22.30	22.10	37.20	36.50	36.60	36.90	36.20
Net Income	1,089	997.00	749.00	562.00	532.00	423.00	437.00	410.00	371.00	328.00
Net Income (Normalized)	877.70	839.60	724.60	452.10	427.10	420.30	430.20	404.80	367.20	321.30
Balance Sheet and Other Financial Data (Million USD)										
Cash	203.00	878.00	1,342	85.00	89.00	110.00	54.00	64.00	51.00	143.00
Current Assets	3,158	3,250	3,259	1,788	1,794	1,655	1,518	1,439	1,274	1,209
Total Assets	8,490	7,768	7,049	5,289	3,085	2,869	2,675	2,371	2,035	1,903
Current Liabilities	2,376	2,065	1,744	1,248	938.00	849.00	777.00	671.00	603.00	532.00
Long Term Debt	1,164	986.00	984.00	367.00	381.00	401.00	264.00	150.00	N/A	N/A
Total Capital	6,313	5,922	5,465	4,277	2,002	1,881	1,755	1,561	1,299	1,248
Capital Expenditures	773.00	628.00	294.00	217.00	279.00	250.00	226.00	236.00	161.00	218.00
Cash from Operations	1,357	1,139	1,395	812.00	694.00	631.00	651.00	456.00	409.00	334.00
Current Ratio	1.33	1.57	1.87	1.43	1.91	1.95	1.95	2.14	2.11	2.27
% Long Term Debt of Capitalization	18.40	16.70	18.00	8.60	19.00	21.30	15.00	9.60	N/A	N/A
% Net Income of Revenue	7.70	7.80	7.10	6.70	6.70	5.80	6.40	6.60	6.50	6.40
% Return on Assets	11.03	11.56	12.04	11.09	14.73	15.48	17.19	18.46	18.71	17.82
% Return on Equity	53.80	50.80	42.90	35.90	35.70	29.40	30.70	30.50	29.20	28.90

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Tractor Supply Company

Sub-Industry Outlook

Our 12-month fundamental outlook for the specialty stores sub-industry is positive as we see more positive factors moving through 2023 than negative ones. We expect sales and margins will come under pressure as demand falls and labor costs remains elevated, which will be a headwind for the sub-industry. However, we expect those headwinds to be partially offset by growth in store count, realized operating efficiencies, and a moderation in some inflationary pressures like fuel costs.

Many retailers within the specialty store sub-industry rely on expanding their store footprint or store count to grow revenues and expand margins. In 2023, we think this will become even more important as many retailers will face weaker same store sales growth as consumer demand softens. In 2022, many specialty store retailers eased back into pre-pandemic plans to open new stores across the United States. We expect CAPEX to remain strong in 2023 for the sub-industry, which will be a positive as many of the retailers in this space continue to open new stores to grow revenues and help boost margins. We also expect store count growth will help offset fading stimulus and weaker consumer demand. We would advise clients to look for retailers that have a consistent track record of opening new stores and growing revenues, with favorable demand dynamics for their niche products.

Many specialty retailers have also found new ways to deliver products and offer value to consumers. Some examples of new delivery methods include curbside pick-up, buy online pick-up in store (BOPIS), and one- or two-day delivery which should help support consumer demand. Many have also undertaken store remodels, new distribution centers, credit card partnerships, expanded assortments, and invested heavily in technology to integrate into their websites and mobile applications.

In 2023, we expect operating margins for the specialty store sub-industry to remain pressured as consumers increasingly face financial strain as inflation remains elevated and/or a recession occurs. We also see continued margin pressure from high employee wages as retailers aim to retain and hire workers in the face of a tight labor market. We expect operating margin for the sub-industry to compress in 2023, but expect it to compress less than other retailers, as many companies within the sub-industry open new stores, benefit from economies of scale, and offer products with favorable demand dynamics.

We continue to like the niche positioning of the majority of retailers within the sub-industry and believe the sub-industry will outperform as they continue to aggressively open new stores, consolidate, and invest in technology.

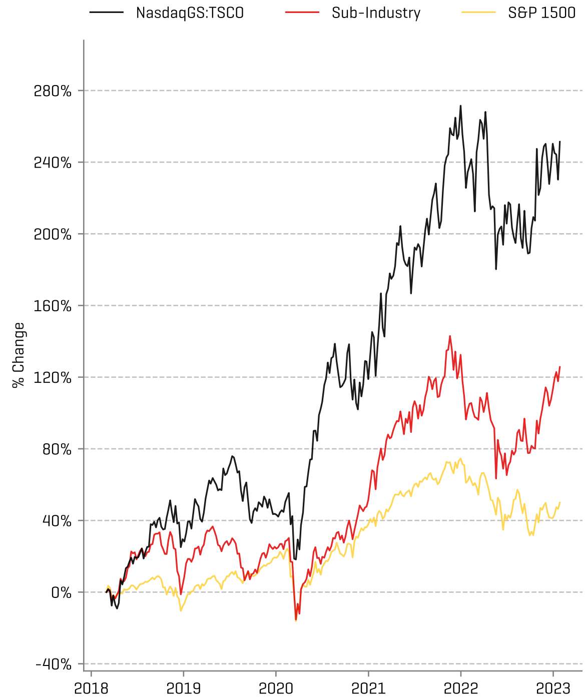
Year-to-date as of January 13, 2023, the S&P Specialty Store Index was up 4.8% versus a gain of 4.3% for the S&P 1500 Index. In 2022, the S&P Specialty Store Index was down 8.5% versus a 19.1% drop for the S&P 1500 Index. The sub-industry's five-year CAGR is 15.4%, above the 7.1% growth for the S&P 1500 Index.

/ Siye Desta

Industry Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Specialty Stores

Based on S&P 1500 Indexes
Five-Year market price performance through Jan 28, 2023



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Specialty Stores Peer Group*: Specialty Stores

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Tractor Supply Company	**TSCO**	**NasdaqGS**	**USD**	**226.72**	**25,044.0**	**1.6**	**9.5**	**23.0**	**230.94**	**1.6**	**53.8**	**18.4**
Academy Sports and Outdoors, Inc.	ASO	NasdaqGS	USD	55.37	4,327.0	3.4	50.0	8.0	N/A	0.5	41.7	19.9
Bath & Body Works, Inc.	BBWI	NYSE	USD	45.16	10,315.0	7.6	-14.7	11.0	N/A	1.8	-44.7	140.2
DICK'S Sporting Goods, Inc.	DKS	NYSE	USD	125.99	10,509.0	6.5	10.8	10.0	144.24	1.5	47.0	25.0
Five Below, Inc.	FIVE	NasdaqGS	USD	193.65	10,750.0	8.7	24.4	47.0	179.77	N/A	20.8	N/A
Leslie's, Inc.	LESL	NasdaqGS	USD	14.44	2,651.0	18.5	-27.0	17.0	N/A	N/A	-76.5	93.9
National Vision Holdings, Inc.	EYE	NasdaqGS	USD	40.08	3,163.0	4.2	3.8	56.0	N/A	N/A	6.1	28.6
Petco Health and Wellness Company, Inc.	WOOF	NasdaqGS	USD	11.10	2,952.0	22.1	-36.3	34.0	N/A	N/A	3.7	30.1
Signet Jewelers Limited	SIG	NYSE	USD	75.62	3,436.0	10.6	-5.4	7.0	83.57	1.1	19.7	4.4
The ODP Corporation	ODP	NasdaqGS	USD	51.47	2,358.0	13.2	22.0	12.0	36.52	N/A	10.4	7.3
Ulta Beauty, Inc.	ULTA	NasdaqGS	USD	506.82	25,787.0	9.2	43.2	22.0	584.51	N/A	60.9	N/A

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available; NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Tractor Supply Company

Analyst Research Notes and other Company News

January 27, 2023
12:18 AM ET... CFRA Lowers Opinion on Shares of Tractor Supply Company to Hold from Buy (TSCO 226.72***):
We lift our 12-month target by $15 to $241, 23x our 2023 EPS, in line with TSCO's 3-year average forward P/E. We raise our 2023 EPS to $10.57 from $10.51 and initiate 2024 EPS at $11.52. TSCO posts Q4 EPS of $2.43, $0.08 above consensus. Revenue of $4,006M (20.7% Y/Y) was $124M above consensus. Comp store sales grew 8.6% vs. 6.1% consensus, with ticket growth up 6.3%, on price inflation of 11%, and transaction count up 2.3%, partly due to the 53rd week (5.6% of Q4 sales) and favorable weather. Operating income grew 22.6% Y/Y, with margin expanding 14 bps Y/Y to 8.97% vs. 8.94% consensus. We remain constructive on TSCO's long-term prospects, given its strong growth strategy execution and continued market share gains, especially in its year-round categories. However, in the near term, we see limited upside in the share price solely due to valuation. Additionally, we expect TSCO will face margin pressure in Q1 due to its investment in new distribution centers, a shift in sales mix, and transportation costs. / Siye Desta,CFA

October 21, 2022
10:41 AM ET... CFRA Raises Opinion on Shares of Tractor Supply Company to Buy from Hold (TSCO 195.59****):
We raise our 12-month target by $10 to $226, 21.5x our 2023 EPS and in line TSCO's five-year average forward P/E. We raise our 2022 EPS by $0.01 to $9.62 and 2023's to $10.51 from $10.10. TSCO posts Q3 EPS of $2.10, $0.03 above consensus. Revenue of $3,271M (8.4% Y/Y) was in line with consensus. TSCO saw strong comparable store sales growth (5.7% vs. 5.4% consensus), driven by ticket growth of 7.0%, as transaction count fell 1.3%, partly due to unfavorable weather. TSCO raised its 2022 sales guidance range by $90M, but lowered its operating margin forecast due to CUE products and costs associated with its recent acquisition of Orscheln Farm & Home. While Q3 operating margin contracted 50 bps Y/Y to 9.37%, mainly due to negative mix and inflation, we're optimistic that margins can recover, especially as TSCO renegotiates new longer-term supply chain contracts. Moreover, TSCO's store remodels, digital push, VISA partnership, Orscheln acquisition, and market share gain in CUE products should be accretive to EPS. / Siye Desta, CFA

July 25, 2022
12:34 PM ET... CFRA Keeps Hold Opinion on Shares of Tractor Supply Company (TSCO 194.89***):
We lower our 12-month target by $9 to $216, 21.4x our '23 EPS of $10.10 (lowered from $11.00; '22 lowered to $9.61 from $9.90), which is in line with TSCOs five-year forward P/E. Q2 EPS of $3.53 (+11% Y/Y) beat by a penny on revenue of 3,903M (+8% Y/Y), $10M above consensus. The beat was driven by comparable store sales growth (+5.5%), due to ticket growth (+7.5%) despite a lower transaction count (-2.0%), while gross margins fell 23.4 bps due to cost inflation, transportation costs, and a shift in product mix. TSCO raised its 2022 sales guidance range by $300M and reaffirmed operating margins of 10.2%. While TSCO's Q2 results and guidance were positive and we remain constructive on its long-term fundamentals, concerns of recession and the impact of higher inflation persist. We maintain a Hold rating, given the inability to ignore the negative impacts of inflation, which is not only resulting in higher costs, but also starting to negatively impact consumer spending, particularly among lower-income customers. / Siye Desta

April 21, 2022
08:12 AM ET... CFRA Maintains Hold Opinion on Shares of Tractor Supply Company (TSCO 220.00***):
We lower our 12-month price target by $5 to $225, based on 22.8x our 2022 EPS estimate and in line with the company's 3-year average forward P/E. We maintain our 2022 and 2023 EPS estimates of $9.90 and $11.00, respectively. TSCO posts Q4 normalized EPS of $1.65 vs. $1.55, $0.23 above consensus estimates on revenues of $3.02B vs. $2.79B and $81M above estimates. Q1 gross margin compressed just 29 bps to 34.9% as the company was able to offset higher product and freight costs with price management actions. SG&A expenses improved 11 bps as a percentage of revenue, impacted by lower Covid response costs and normalized incentive compensation. TSCO continues to repurchase shares aggressively buying back $296M worth in Q1. TSCO has enjoyed many tailwinds since the pandemic began, which we see fading and growth returning to pre-pandemic levels. We continue to believe in management as they boost store count and maintain a strong balance sheet, but see the valuation as stretched in a weakening economic environment. / Zachary Warring

January 27, 2022
12:35 PM ET... CFRA Lowers Opinion on Shares of Tractor Supply Company to Hold from Buy (TSCO 213.00***):
We maintain our 12-month price target of $230, 23.2x our 2022 estimate and slightly above the company's 3-year average forward P/E of 22.5x. We lower our FY 22 EPS estimate by $0.60 to $9.90 and initiate our FY 23 EPS estimate at $11.00. TSCO posts Q4 EPS of $1.93 vs. $1.64, $0.08 above consensus on revenues of $3.3B vs. $2.9B and $87M above consensus. Adjusted operating margin was 8.8%, down slightly from 9.0% in Q4 2020 due mainly to higher transportation costs. The company raised their quarterly dividend 77% to $0.92 and authorized a $2B increase in the current share repurchase program, with plans to repurchase up to $800B in 2022. TSCO gave long-term revenue growth targets between 6% and 7%, with operating margin between 10.1% and 10.6%. TSCO plans to open 80 new Tractor Supply stores, remodel 150 stores, and add side lots to 100 locations in 2022. We continue to be constructive on the underlying business and believe TSCO continues to execute flawlessly but see limited upside in share price. / Zachary Warring

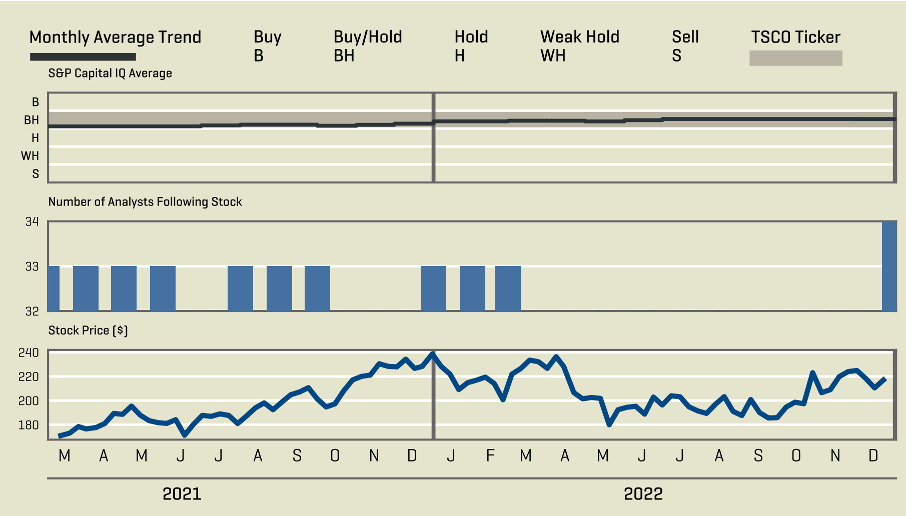
October 21, 2021
08:51 AM ET... CFRA Raises Opinion on Shares of Tractor Supply Company to Buy from Hold (TSCO 205.00****):
We raise our 12-month target price by $30 to $230, 21.9x our 2022 estimate, in line with the 3-year average forward P/E. We raise our 2021 EPS estimate by $1.00 to $9.00 and our 2022 estimate by $1.50 to $10.50. TSCO posts Q3 EPS of $1.95 vs. $1.62, $0.29 above consensus on revenue that was up 15.8% Y/Y and 5.6% above expectations. Operating margin was 9.8%, up slightly from 9.7% in Q3 2020 due mainly to lower SG&A cost. Gross margin was 36.0% down slightly from 36.4% in Q3 2020, due to higher transportation and product cost. The company, like many other retailers across the globe, is battling longer freight times and higher cost due to supply chain disruptions, which management is continuing to prove they can manage. The company raised its guidance across the board and now plans to repurchase over $750M worth of shares in 2021. We are impressed with management's execution, a strong balance sheet, and the comparable store sales growth of 13.1%, and now see more upside. / Zachary Warring

October 05, 2021
11:42 AM ET... CFRA Lowers Opinion on Shares of Tractor Supply Company to Hold From Buy (TSCO 198.00***):
We keep our 12-month target at $200, 22.2x our 2022 estimate of $9.00 (up from $8.19), slightly above the three-year average forward P/E. TSCO posts Q2 EPS of $3.19 vs. $2.90, $0.23 above consensus on revenue that was up 13% Y/Y and 4% above expectations. Comparable store sales were up 10.5%, driven by both a 5% increase in transaction count and 6% increase in average ticket price. Gross margin did decline 67 bps Y/Y to 35.8%, due mainly to higher transportation costs, which were partially offset by pricing power. Operating margin remained flat due to lower Covid-19 costs, which were offset by higher wage rates. The company, like many other retailers across the globe are battling longer freight times and higher costs due to supply chain disruptions, which will constrain top and bottom-line growth over the next six months. We remain confident that the company will continue to execute on its long-term strategic plans and grow revenues mid to high single digits, but we believe the valuation is now stretched. / Zachary Warring

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

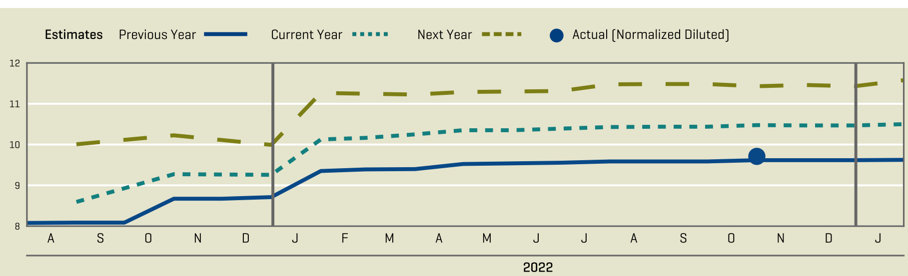
Tractor Supply Company

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	15	44	15	15
Buy/Hold	5	15	4	3
Hold	12	35	12	12
Weak hold	1	3	1	1
Sell	0	0	0	0
No Opinion	1	3	0	1
Total	34	100	32	32

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2024	11.56	11.95	10.68	23	19.61
2023	10.51	10.65	10.39	27	21.57
2024 vs. 2023	**▲ 10%**	**▲ 12%**	**▲ 3%**	**▼ -15%**	**▼ -9%**
Q1'24	1.92	1.98	1.78	5	117.96
Q1'23	1.76	1.85	1.58	18	128.67
Q1'24 vs. Q1'23	**▲ 9%**	**▲ 7%**	**▲ 13%**	**▼ -72%**	**▼ -8%**

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2023, analysts estimate that TSCO will earn USD 10.51. For fiscal year 2024, analysts estimate that TSCO's earnings per share will grow by 10.02% to USD 11.56.

Tractor Supply Company

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:
Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:
Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section seof the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of December 31, 2022

Ranking	North America	Europe	Asia	Global
Buy	37.3%	36.2%	52.6%	40.1%
Hold	54.3%	55.7%	38.6%	51.5%
Sell	8.4%	8.0%	8.8%	8.4%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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