Tractor Supply Company

Recommendation HOLD ★★★★★

Price USD 270.21 (as of market close May 03, 2024)

12-Mo. Target Price USD 253.00

Report Currency USD

Investment Style Large-Cap Growth

Equity Analyst Ana Garcia

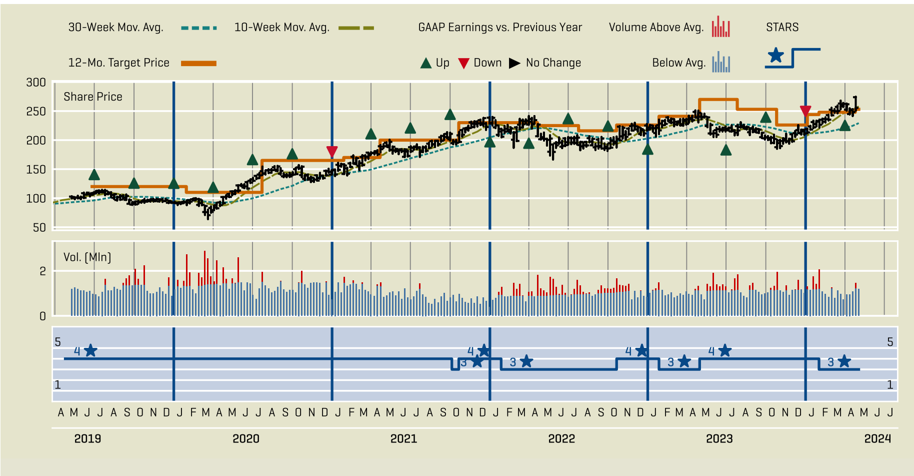
GICS Sector Consumer Discretionary
Sub-Industry Other Specialty Retail

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 279.38 - 185.0**	Oper.EPS2024**E**	**USD 10.33**	Market Capitalization[B]	**USD 28.79**	Beta	**0.84**
Trailing 12-Month EPS	**USD 10.27**	Oper.EPS2025**E**	**USD 11.43**	Yield [%]	**1.65**	3-yr Proj. EPS CAGR[%]	**6**
Trailing 12-Month P/E	**26.31**	P/E on Oper.EPS2024**E**	**26.16**	Dividend Rate/Share	**USD 4.4**	SPGMI's Quality Ranking	**A+**
USD 10K Invested 5 Yrs Ago	**28,297.0**	Common Shares Outstg.[M]	**108.00**	Trailing 12-Month Dividend	**USD 4.19**	Institutional Ownership [%]	**100.0**

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 **Ana Garcia** on Feb 26, 2024 05:21 PM ET, when the stock traded at **USD 242.71**.

Highlights

- The Highlights section of this Stock Report will be updated accordingly.
- The Investment Rationale/Risk section of this Stock Report will be updated shortly. For the latest News story on TSCO from MarketScope, see aside.

Latest Analyst Research Notes

April 25, 2024

12:24 PM ET... CFRA Retains Hold Opinion on Shares of Tractor Supply Company (TSCO 265.57***):

Our 12-month target of $253, up $5, is 24.5x our '24 EPS view of $10.33 (up $0.01; '25's down $0.13 to $11.43), a premium to the three-year forward P/E mean of 22.4x. Q1 EPS of $1.83 (+10.9% Y/Y) beat by $0.11 on revenue of $3.4B (+2.9%), in line with consensus. Top-line growth was driven by a comp sales increase of 1.1% (+1.3% transaction growth, -0.2% average ticket) and new store sales of 1.8%. TSCO sees itself benefiting from share gains and big ticket item strength. Gross margin of 36% (+50 bps) benefited from lower transport costs and cost management. SG&A margin of 28.2% (+10 bps) benefited from expense pushback to Q2. Despite the Q1 beat, TSCO maintained its 2024 guidance as it believes the worst of service vs. good spend behaviors is largely in the rearview mirror. The distribution center opening is expected to pressure margins. Balancing this is TSCO's low price strategy, which has grown volumes and potential garden center benefits. With shares trading at a premium, we see benefits as fully valued. / Ana Garcia

Update: please see the analyst's latest research note in the research notes section

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 think differentiates TSCO from other general merchandise retailers, pet retailers, value retailers, and home center retailers. Our view is backed by structural and sustainable trends, including a post-pandemic shift in migration trends in the U.S. to rural areas and a rise in pet adoptions. Additionally, we note TSCO's pronounced sensitivity to seasonality, where unseasonable weather typically has negative impacts on the timing and volume of sales.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2025	**E** 3,632	**E** 4,525	**E** 3,708	**E** 3,997	**E** 15,862
2024	3,395	**E** 4,310	**E** 3,531	**E** 3,806	**E** 14,042
2023	3,299	4,185	3,412	3,660	14,556
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

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2025	**E** 2.06	**E** 4.17	**E** 2.53	**E** 2.66	**E** 11.43
2024	1.83	**E** 3.82	**E** 2.29	**E** 2.40	**E** 10.33
2023	1.65	3.83	2.33	2.28	10.09
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

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
1.1000	Feb 05	Feb 23	Feb 26	Mar 12 '24
1.0300	Nov 08	Nov 24	Nov 27	Dec 12 '23
1.0300	Aug 09	Aug 25	Aug 28	Sep 12 '23
1.0300	May 10	May 26	May 30	Jun 13 '23

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

Tractor Supply Company

Business Summary February 26, 2024

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 2023, the company operated 2,414 retail stores, up from 2,333 in 2022, in 49 states, which include Tractor Supply (2,216 retail stores in 2023) and Petsense (198). Approximately 60% of TSCO stores are in freestanding buildings and 40% are located in shopping centers. TSCO also leases approximately 96% of its stores and owns the remaining 4%.

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 17,000-25,000 products available per the Tractor Supply store along with 300,000 products online. No single product or vendor accounted for more than 10% of the company's sales or purchases for 2023. The major product categories include Livestock, Equine & Agriculture (27% of 2023 sales); Companion Animal (25%); Seasonal & Recreation (22%); Truck, Tool, & Hardware (16%); and Clothing, Gift, & Decor (10%). Approximately 400 core vendors accounted for 90% of the company's merchandise. The company also offers exclusive brands which accounted for 29% of its 2023 sales. The exclusive brands include 4health (pet foods and supplies), Paws & Claws (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 omni-channel 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 a result, the company opened 70 new Tractor Supply stores and 13 Petsense stores in 2023. In 2024, TSCO plans to open 80 Tractor Supply stores and 10-15 new Petsense by Tractor Supply stores. Additionally, TSCO targets distribution network expansions and Side Lot improvements in existing stores.

MAJOR DEVELOPMENTS. On October 12, 2022, TSCO received FTC clearance to close its acquisition of Orscheln Farm and Home, a farm and ranch retailer with 166 retail stores. TSCO acquired a net 81 stores and divested the remaining 85 stores to two buyers approved by the FTC. The net purchase price of the 81 stores acquired and retained was approximately $238 million before working capital adjustments. The acquisition is anticipated to generate an estimated future tax benefit of approximately $20 million.

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 customers 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 2023, the company's five-year net sales CAGR was 13.0%, down from 14.38% in 2022. 2023 total sales landed at $14.6 billion, above 2022's $14.2 billion. TSCO's comparable store sales growth were even versus 2022's 6.3% increase. 2023's comparable store sales performance reflects continued strength in core year-round merchandise, including consumable, usable, and edible (C.U.E.) products, which significantly outpaced the chain average. This performance largely offset declines in demand for seasonal goods and big-ticket items

The company's operating income increased to $1.48 billion in 2023, 3% above 2022's $1.43 billion. The operating margin increased to 10.16% from 10.1% over the respective period. Operating margin expansion was limited due to product mix and increased investment in operational expansion in the SG&A line. Operating margin is anticipated to decrease as a result of the projected comparable sale contraction and continued investment in operation expansions.

The company's leverage and liquidity weakened in 2023. The company's total debt to capital and net debt to EBITDA increased to 70.1% and 1.9x, respectively, from 67.6% and 1.8x in 2022. The company's current ratio was 1.5x versus 1.3x, and the quick ratio ticked up slightly to 0.2x from 0.1x. We note inventory as a percent of the projected next-12-month revenue stands at 78%, continuing its upward trajectory from the pandemic lows in the low-60s.

Corporate information

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K. D. Barton

President, CEO & Director
H. A. Lawton

Independent Chairman
E. K. Morris

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

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

Board Members

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

Domicile
Delaware

Auditor
Ernst & Young LLP

Founded
1938

Employees
50,000

Stockholders
799

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 **215.19**: Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that TSCO is overvalued by USD 55.02 or 20.36%

Volatility: **LOW** | AVERAGE | HIGH

Technical Evaluation **BULLISH**: Since January, 2024, the technical indicators for TSCO have been BULLISH"

Insider Activity: **UNFAVORABLE** | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2023	2022	2021	2020
Price/Sales	1.62	1.78	2.08	1.62
Price/EBITDA	12.61	14.19	16.77	13.39
Price/Pretax Income	16.47	17.97	20.65	17.82
P/E Ratio	21.31	23.17	26.51	21.38
Avg. Diluted Shares Outstg. (M)	109.75	112.15	115.82	117.44

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income	1.70	13.92	15.77
Sales	2.47	11.08	12.97
Ratio Analysis (Annual Avg.)			
Net Margin (%)	7.61	7.70	7.38
% LT Debt to Capitalization	24.06	19.72	17.15
Return on Equity (%)	52.82	52.48	47.26

Company Financials Fiscal year ending Dec 31

Per Share Data (USD)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tangible Book Value	17.41	16.23	17.21	16.07	12.21	11.80	10.33	10.15	10.30	9.41
Free Cash Flow	5.32	5.24	4.45	9.46	4.96	3.39	2.99	3.20	1.62	1.80
Earnings	10.09	9.71	8.61	6.38	4.66	4.31	3.30	3.27	3.00	2.66
Earnings (Normalized)	10.09	9.71	8.61	6.87	4.68	4.31	3.33	3.27	3.00	2.66
Dividends	4.12	3.68	2.08	1.50	1.36	1.20	1.05	0.92	0.76	0.61
Payout Ratio (%)	40.61	37.62	23.97	23.32	28.93	27.63	31.67	27.97	25.12	22.66
Prices: High	251.17	241.54	238.28	157.07	114.25	97.65	78.25	97.25	96.28	79.14
Prices: Low	185.00	166.49	138.14	63.89	80.31	58.27	49.87	61.50	74.52	55.95
P/E Ratio: High	24.90	24.90	27.70	22.90	24.40	22.70	23.50	29.70	32.10	29.80
P/E Ratio: Low	18.30	17.10	16.00	9.30	17.20	13.50	15.00	18.80	24.80	21.00
Income Statement Analysis (Million USD)										
Revenue	14,556	14,205	12,731	10,620	8,352	7,911	7,256	6,780	6,227	5,712
Operating Income	1,479	1,435	1,307	1,071	743.00	702.00	686.00	694.00	651.00	589.00
Depreciation + Amortization	393.00	343.00	270.00	217.00	196.00	177.00	166.00	143.00	124.00	115.00
Interest Expense	47.00	31.00	27.00	29.00	20.00	18.00	14.00	6.00	3.00	2.00
Pretax Income	1,432	1,404	1,280	968.00	723.00	683.00	673.00	688.00	648.00	588.00
Effective Tax Rate	22.70	22.50	22.10	22.60	22.30	22.10	37.20	36.50	36.60	36.90
Net Income	1,107	1,089	997.00	749.00	562.00	532.00	423.00	437.00	410.00	371.00
Net Income (Normalized)	895.30	877.70	800.10	651.40	452.10	427.10	420.30	430.20	404.80	367.20
Balance Sheet and Other Financial Data (Million USD)										
Cash	397.00	203.00	878.00	1,342	85.00	89.00	110.00	54.00	64.00	51.00
Current Assets	3,264	3,158	3,250	3,259	1,788	1,794	1,655	1,518	1,439	1,274
Total Assets	9,188	8,490	7,768	7,049	5,289	3,085	2,869	2,675	2,371	2,035
Current Liabilities	2,177	2,376	2,065	1,744	1,248	938.00	849.00	777.00	671.00	603.00
Long Term Debt	1,729	1,164	986.00	984.00	367.00	381.00	401.00	264.00	150.00	N/A
Total Capital	7,186	6,313	5,922	5,465	4,277	2,002	1,881	1,755	1,561	1,299
Capital Expenditures	754.00	773.00	628.00	294.00	217.00	279.00	250.00	226.00	236.00	161.00
Cash from Operations	1,334	1,357	1,139	1,395	812.00	694.00	631.00	651.00	456.00	409.00
Current Ratio	1.50	1.33	1.57	1.87	1.43	1.91	1.95	1.95	2.14	2.11
% Long Term Debt of Capitalization	24.10	18.40	16.70	18.00	8.60	19.00	21.30	15.00	9.60	N/A
% Net Income of Revenue	7.60	7.70	7.80	7.10	6.70	6.70	5.80	6.40	6.60	6.50
% Return on Assets	10.46	11.03	11.02	10.85	11.09	14.73	15.48	17.19	18.46	18.71
% Return on Equity	52.80	53.80	50.80	42.90	35.90	35.70	29.40	30.70	30.50	29.20

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 outlook for the other specialty retail sub-industry is neutral. We expect top lines to face pronounced headwinds in 2024 as consumers continue facing higher interest rates, largely depleted pandemic savings, and as they favor spending on services. Our concerns are partially offset by wage growth, which has been trending above inflation figures in the U.S. Overall, we anticipate top-line deceleration as pricing initiatives may be harder to pass on to the consumer. Meanwhile, volumes will require some sort of incentive. We think the top-line dynamics may place pressure on margin expansion opportunities. We find some solace in largely stable input costs excluding wages. We expect wage growth and marketing/advertising to be the biggest headwinds in 2024, with wages primarily impacting the first half while advertising may be geared toward the back half.

In the other specialty retail sub-industry, many retailers rely on expanding their store footprint to boost revenue, gain market share, and improve margins. This strategy is expected to remain a key focus, as several retailers may face traffic growth challenges, leading to negative impacts on their same-store sales growth given the pressure on consumers mentioned earlier. In 2022, numerous specialty retailers resumed their pre-pandemic plans to open new stores across the United States. With shorter construction times in 2023, capital expenditures remained positive and robust as retailers pursued this strategy to enhance revenues and market share. We think in 2024, this opportunity will be available to well capitalized industry participants, but smaller participants may face financing challenges.

To address recent challenges, including inventory shrinkage, staffing issues, and traffic and order count softness, specialty retailers implemented new initiatives. These include offering curbside pick-up, buy online pick-up in-store (BOPIS), and one- or two-day delivery options to boost consumer demand. Additionally, retailers have undergone store remodels, established new distribution centers, initiated credit card partnerships, expanded assortments, and invested in technology to enhance their websites and mobile applications. Many have also improved labor-related practices and implemented more robust security measures to reduce inventory shrinkage. We should see benefits of these initiatives in 2024, though we anticipate shrink in the current environment to remain a significant headwind.

A potential headwind that warrants vigilance is the upcoming U.S. presidential election. Specialty retailers source input goods and products from China, which we view as carrying risk for potential tariff implementation depending on the outcome of the election. To circumvent this headwind in such a scenario, we think retailers would turn to price increases, which may be unsuitable for a strained consumer. Though sourcing processes could be updated, we think that this solution would require time. In either scenario, we think that this could significantly pressure bottom lines.

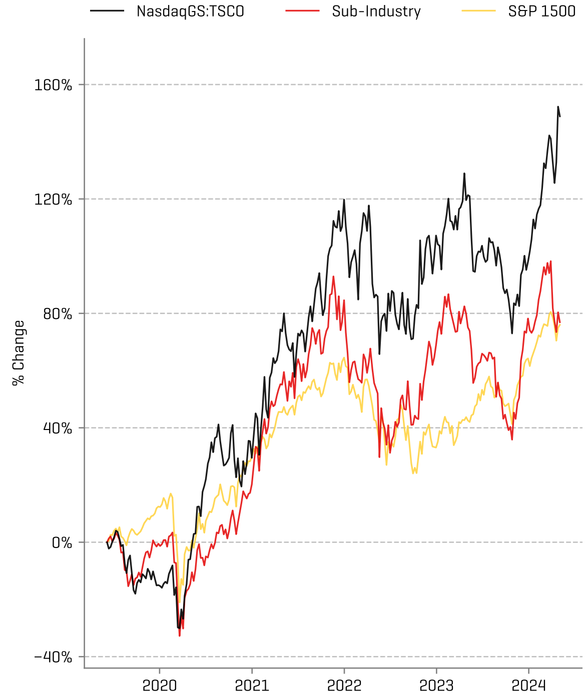
In 2023, the S&P 1500 Other Specialty Retail Index was up 5.5% versus a gain of 39.2% for the S&P 1500 Consumer Discretionary Index and 23.4% for the S&P 1500 Index. In 2022, the S&P 1500 Other Specialty Retail Index was down 8.5% versus a drop of 36.3% for the S&P 1500 Consumer Discretionary Index and a 19.1% drop for the S&P 1500 Index.

/ Ana Garcia

Industry Performance

GICS Sector: **Consumer Discretionary**
Sub-Industry: **Other Specialty Retail**

Based on S&P 1500 Indexes
Five-Year market price performance through May 04, 2024



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: Other Specialty Retail Peer Group*: Other Specialty Retail

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**	**266.70**	**28,786.0**	**3.8**	**9.6**	**26.0**	**215.19**	**1.6**	**55.6**	**24.0**
Academy Sports and Outdoors, Inc.	ASO	NasdaqGS	USD	57.75	4,261.0	-8.7	-6.9	9.0	N/A	0.8	29.0	13.3
Bath & Body Works, Inc.	BBWI	NYSE	USD	43.83	9,857.0	-9.2	27.7	11.0	N/A	1.8	-45.8	111.2
Chewy, Inc.	CHWY	NYSE	USD	15.94	6,933.0	1.1	-50.2	29.0	22.33	N/A	11.8	N/A
DICK'S Sporting Goods, Inc.	DKS	NYSE	USD	199.19	16,423.0	-8.2	39.7	15.0	182.35	2.2	40.7	21.6
Five Below, Inc.	FIVE	NasdaqGS	USD	143.47	7,925.0	-16.2	-26.8	26.0	180.24	N/A	20.4	N/A
Pet Valu Holdings Ltd.	PTVL.F	OTCPK	USD	23.04	2,243.0	N/A	-14.7	25.0	N/A	1.4	255.5	34.1
Signet Jewelers Limited	SIG	NYSE	USD	97.40	4,335.0	2.4	40.7	9.0	48.70	1.2	32.1	N/A
The ODP Corporation	ODP	NasdaqGS	USD	50.91	1,864.0	-2.2	20.4	9.0	46.38	N/A	11.6	6.2
Ulta Beauty, Inc.	ULTA	NasdaqGS	USD	397.33	19,046.0	-23.5	-24.0	15.0	601.34	N/A	60.9	N/A
Warby Parker Inc.	WRBY	NYSE	USD	12.30	1,462.0	-6.8	7.7	NM	N/A	N/A	-21.5	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

Previous Analyst Research Notes and Company News

February 01, 2024
02:41 PM ET... CFRA Lowers Opinion to Hold from Buy on Shares of Tractor Supply Company (TSCO 231.92***):
Our 12-month target of $248, up $4, is 24x our 2024 EPS view of $10.32 (down $0.72; 2025's set at $11.56), a premium to the 10-year forward P/E average of 22.1x, justified by consumer strength, store openings, and product launches. Q4 EPS of $2.28 (-6% Y/Y) beat by $0.06, on revenue of $3.66B (-8.6% Y/Y), $20M below consensus. Comparable store sales decreased 4.2% comprising declines in average ticket (-1.5%) and transaction count (-2.7%) mainly related to weather impacts. We note a 5.6% hit to net sales from a 53rd week a year ago. Gross margin jumped 130 bps to 35.3%, despite higher promotional activity, partially offset by a 110-bp increase in SG&A and D&A, reflecting the distribution center opening, netting a 20-bp operating margin advance to 9.1%. The 2024 guide lines up with consensus with top-line growth of 2.4% and EPS growth of 0.8% (midpoints). We continue viewing TSCO initiatives positively, but weighed against anticipated macroeconomic headwinds, the value equation on shares seems relatively fair. / Ana Garcia

January 05, 2024
01:00 PM ET... CFRA Maintains Buy Opinion on Shares of Tractor Supply Company (TSCO 216.00****):
We raise our 12-month target price by $18 to $244, 22.1x our 2024 EPS estimate of $11.04 (unchanged; 2023 EPS view unchanged), near the 10-year forward P/E average of 22.2x. We continue to see a favorable entry point to TSCO shares after jumping 14% since our last note. We attribute the market movement to a less hawkish, but still cautious, Fed since its December 2023 meeting. Additionally, we view decelerating inflation and steady wages supporting demand dynamics. We expect benefits from these dynamics to be geared toward the second half of 2024, barring any unfavorable labor developments. We continue to expect store count expansion, internal cost controls, and TSCO's portfolio offerings to drive performance. We note TSCO's store expansion is geared toward rural areas where consumers have above-average income and below-average cost of living. Additionally, we continue to expect benefits from revamped store layouts, garden center transformations, and Orscheln Farm conversions. / Ana Garcia

October 26, 2023
06:05 PM ET... CFRA Keeps Buy Opinion on Shares of Tractor Supply Company (TSCO 189.66****):
We cut our 12-month target by $27 to $226, 20.5x our 2024 EPS of $11.04 (down $0.42; 2023 down $0.35 to $10.13), a discount to the 22.1x, five-year forward P/E average. Q3 adj-EPS of $2.33 beat by $0.04 on revenue of $3.4B, 2% below consensus. Unfavorable weather and cautious consumers drove revenue headwinds resulting in a second revenue and EPS guide call down. Operating margin of 10% (+60 bps Y/Y) yielded from gross margin of 36.7% (+100 bps Y/Y) offset by a 40 bps increase in SGA margin. Despite the tough macro and weather, TSCO continues building a strong foundation evidenced by active, reactivated, and new customer counts growing in the quarter. TSCO accomplished share gains both online and in-store with high-single-digit e-commerce growth, surpassing $1B in sales. Preliminary 2024 capital expense projection of $600M is partly offset by planned sale-leaseback transactions of 15 stores. TSCO remains bullish on its expansion with 80 Tractor Supply stores and 15 Petsense location openings planned in 2024. / Ana Garcia

October 23, 2023
03:29 PM ET... CFRA Adds Tractor Supply to the High-Quality Capital Appreciation Portfolio (TSCO 198.18****):
We are adding Tractor Supply Company (TSCO) to the portfolio as we believe TSCO's valuation has meaningful upside as the company continues to embark on its growth strategy, enjoying long-term advantages such as demographic shifts to rural areas. Our positive outlook is buoyed by TSCO's escalated long-term store target (+200). An increase in store launches (+10 in 2024 and 2025), is accompanied by elevated capital expenditures, which is expected to be counterbalanced by the introduction of a new sale-leaseback initiative. In addition, high levels of domestic pet ownership, an omni-channel approach, and digital platform enhancements should help propel TSCO's future growth. TSCO will replace The Procter & Gamble Company (PG 148 ***), which was downgraded to a Hold recommendation. / Keith Snyder

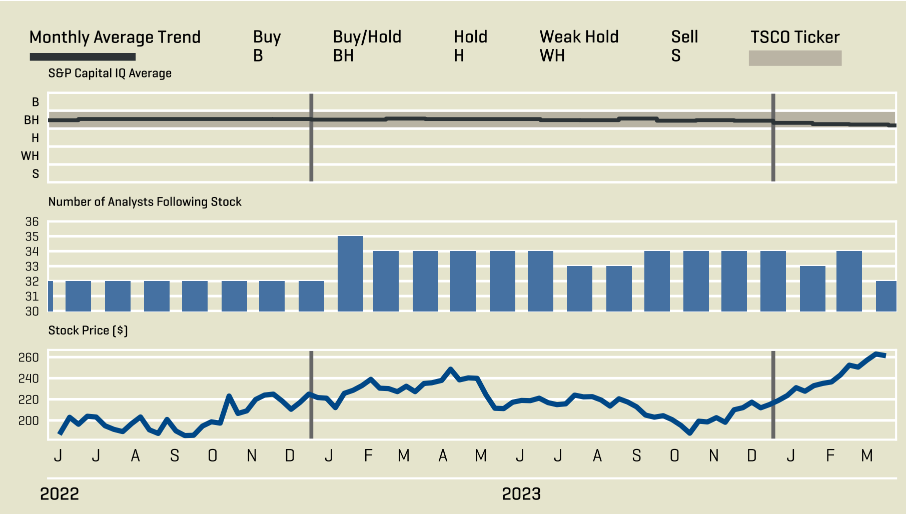
July 27, 2023
05:48 PM ET... CFRA Keeps Buy Opinion on Shares of Tractor Supply Company (TSCO 223.59****):
We cut our 12-month target price by $17 to $253, 22.1x our 2024 EPS, in line with TSCO's five-year average forward P/E. We lower our 2023 EPS estimate to $10.48 from $10.51 and 2024's to $11.46 from $11.62. TSCO posted Q2 adj-EPS of $3.83, $0.09 below consensus. Revenue of $4,185M (+7.2% Y/Y) was $11M below consensus. Operating income grew by 6.5% to $559M, with margin contracting 10 bps Y/Y to 13.5% vs. 13.4% consensus. Comp sales grew 2.5% vs. 3.9% consensus, driven by higher pricing and transactions, partly offset by lower average ticket. TSCO noted further consumer pullback on discretionary purchases, order counts, and seasonal items. As a result, 2023 guidance was lowered for both the top and bottom line. However, we remain optimistic due to potential share gains in value items, loyalty program changes, more favorable weather, along with TSCO's higher long-term target of stores (+200). We also note a step-up in openings (+10 in 2024 and 2025), with higher capex, offset by a new sale-leaseback program. / Siye Desta, CFA

May 01, 2023
12:08 AM ET... CFRA Raises Opinion on Shares of Tractor Supply Company to Buy from Hold (TSCO 238.40****):
We raise our 12-month target to $270 from $241, 23.2x our 2024 EPS, a slight premium to TSCO's five-year average forward P/E, justified by potential market share gains, improvements in distribution, and recent migration trends in the U.S. We lower our 2023 EPS estimate to $10.51 from $10.57 and raise 2024's to $11.62 from $11.52. TSCO posts Q1 EPS of $1.65, $0.06 below consensus. Revenue of $3,299M (+9.1% Y/Y) was $11M below consensus. Operating income grew 0.1% to $244M, margin contracted 70 bps to 7.4% vs 7.8% consensus. Comp store sales grew 2.1% vs 4.29% consensus (200 bps negative impact from seasonality). Despite the bad weather, we think TSCO made notable strides over the quarter. The ramp-up of its ninth distribution center improved margins and will reduce transportation costs and improve capacity. TSCO also plans to pilot new category launches related to home and sporting goods. The resilience of net migration to rural areas, based on recent ACS data, also suggests potential upside to sales growth. / Siye Desta, CFA

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.

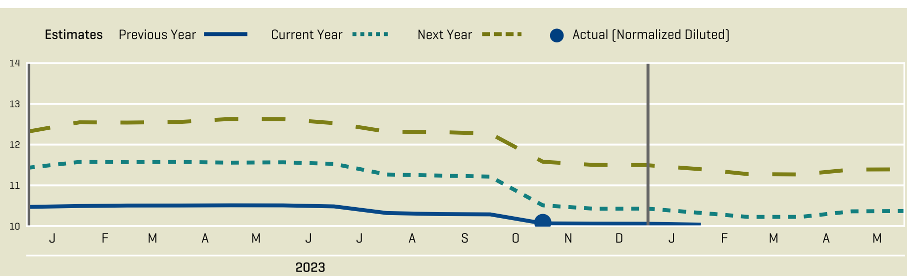
Tractor Supply Company

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	10	32	10	11
Buy/Hold	4	13	4	5
Hold	13	42	15	14
Weak hold	2	6	1	1
Sell	1	3	1	1
No Opinion	1	3	1	1
Total	31	100	32	33

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2025	11.38	11.94	10.75	30	23.43
2024	10.36	10.59	10.10	31	25.74
2025 vs. 2024	**▲ 10%**	**▲ 13%**	**▲ 6%**	**▼ -3%**	**▼ -9%**
Q2'25	4.39	4.44	4.33	9	60.72
Q2'24	3.92	4.00	3.80	29	68.04
Q2'25 vs. Q2'24	**▲ 12%**	**▲ 11%**	**▲ 14%**	**▼ -69%**	**▼ -11%**

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 2024, analysts estimate that TSCO will earn USD 10.36. For fiscal year 2025, analysts estimate that TSCO's earnings per share will grow by 9.87% to USD 11.38.

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.

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 March 31, 2024

Ranking	North America	Europe	Asia	Global
Buy	37.6%	34.7%	44.1%	38.5%
Hold	52.6%	52.5%	50.6%	52.1%
Sell	9.7%	12.8%	5.4%	9.4%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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