

Tractor Supply

Consumer - Retail September 1, 2009

Company Description: Tractor Supply is the leading rural lifestyle retailing participant, a sector dominated by the company. TSCO operates nearly 900 stores in 42 states, and is growing its units by 7-8% annually while delivering double-digit earnings growth. TSCO is based in Nashville, Tennessee.

Initiating coverage with Buy rating and \$56 target (TSCO - \$47.08) BUY

Key Points

We are initiating research coverage of Tractor Supply (TSCO) with a Buy rating and a \$56 price target.

Tractor Supply is the dominant retailer serving the needs of Rural Lifestyle farmers and homeowners. TSCO's stores sell casual clothing and work wear, pet and equine supplies, livestock handling supplies, power equipment, parts for tractors and other farm machinery, truck and towing supplies, power tools and hardware. Customers are typically recreational farmers and ranchers, suburban and exurban homeowners, and small businesses and tradesmen.

Tractor Supply's sales have suffered the past several years as the economic pressure has been particularly harsh on sales of garden and lawn tractors, a key market for TSCO. As a result, TSCO's same-store sales results have been tepid, with comps turning negative recent and likely to hold negative for several more quarters. We believe the comps from garden and lawn tractors in the spring of 2010 could signal a force driving comps back to positive levels.

Expense management has been exceptional at TSCO, with operating margins likely to rise 40 bps this year on a negative comp. We assume that gross profit margins will expand sharply in 2009 and slightly in 2010, while operational leverage should improve more significantly in 2010 as comps get progressively stronger (and positive).

EPS Should Grow 20% in 2009 and 16% in 2010. Our model provides 2009 EPS of \$2.86 (consensus of \$2.87 and \$2.33 earned in 2008), and \$3.30 in 2010 (consensus of \$3.14 in a range of \$3.00 to \$3.30). In particular, we note that sales leverage modestly higher than our model will drive EPS sharply higher – each 1% of sales upside adding about \$0.06 in EPS.

Our 12-month price target of \$56 assumes a multiple of 17.0 times our 2010 EPS estimate of \$3.30. This would represent a slight discount to the average multiple of Lifestyle Retailers, approximately 17.8 times estimated EPS.

INVESTMENT RECOMMENDATION:

Tractor Supply has performed well through the difficult economic environment, driving strong EPS growth amidst negative comps. As an economic recovery takes place and consumer spending starts to accelerate, TSCO should be well positioned to benefit through accelerating same-store sales strength. In particular, strong sales in the spring of 2010 could drive significant model upside. Our target price of \$56 assumes TSCO continues trading at a slight discount to its peer group, and our rating is Buy. TSCO is well-funded and could easily grow unit development faster.

Financial Summary

Rev(mil)	2008A	2009E	2010E
Apr	\$576	\$650A	\$689E
Jul	\$898	\$947A	\$1,041E
Oct	\$734	\$761E	\$830E
Jan	\$800	\$846E	\$927E
FY	\$3,008	\$3,204E	\$3,486E
P/Sales	0.56x	0.53x	0.49x

EPS	2008A	2009E	2010E
Apr	\$(0.12)	\$0.01A	\$0.02E
Jul	\$1.24	\$1.50A	\$1.68E
Oct	\$0.53	\$0.47E	\$0.57E
Jan	\$0.67	\$0.87E	\$1.03E
FY	\$2.33	\$2.86E	\$3.30E
P/E	20.2x	16.5x	14.3x

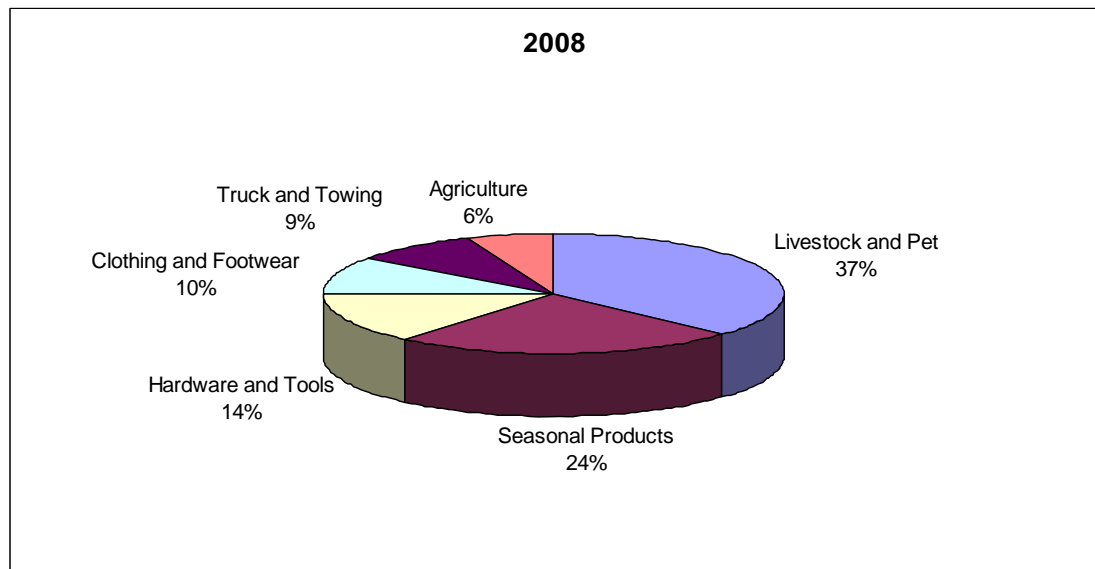
Price:	\$47.08
52-Week Range:	\$48.99 - \$28.67
Target:	\$56
Rating:	BUY
Shares Outstanding:	36.0 mil
Mkt. Capitalization:	\$1,695 mil
Ave. Volume:	576,000
Instit. Ownership:	102%
BV / Share:	\$18.46
Debt / Tot. Cap.:	6%
Est. LT EPS Growth:	15%

COMPANY OVERVIEW

Tractor Supply is America's largest Rural Lifestyle retailer, selling a mix of merchandise that caters to recreational farmers and ranchers, suburban and exurban homeowners, and tradesmen and small businesses. Its merchandise assortment is designed to support those living "*Out Here*" in the country, from western apparel and work wear to pet and livestock products to power equipment like riding lawnmowers and chainsaws.

Category Dominance in a Unique Assortment

Tractor Supply exists to serve the needs of its Rural Lifestyle customers, which include recreational farmers and ranchers, suburban and exurban homeowners, and tradesmen and small businesses. TSCO derives its sales from six major product categories: Livestock and pet, seasonal products, hardware and tools, clothing and footwear, truck and towing, and agriculture. Portions of this product assortment are available at other stores, but very few (and none nationally) compete with this complete and unique merchandise assortment.



Merchandise is a combination of branded and private label product. Major apparel and footwear brands carried include Ariat, Carhartt, Dickies, Justin, Wolverine, and Wrangler (private label brands include C.E. Schmidt). Outdoor power equipment brands carried include Cub Cadet, Husqvarna, Poulan, Swisher, Troy-bilt, and White (private label brand is Huskee). Pet and livestock brands carried include Blue Buffalo, Diamond Naturals, Hill's Science Diet, Kibble 'n Bits, Nutro, and Purina (private label brands include Retriever and Paws 'n Claws, Royal Wing, and Milepost). The private label products are generally very high quality.

The stores are fun. The front sidewalk outside of the store is typically lined with (depending on season) garden and lawn tractors, go-carts, mini-bikes, log splitters, snow blowers, and ATVs. Also displayed on the outside edge of the parking lot is an assortment of trailers for towing the aforementioned equipment. On the left side of the store (looking towards the store from the front) is a large outdoor yard for selling gates, fencing materials, small implements and other goods.

Inside, the store layout is simple and functional. Apparel and footwear to the immediate right, livestock and pet behind that, seasonal flexed in the middle of the store with tractor and implement parts behind that, and small power equipment, hardware and tools, and truck and towing on the left side of the store. Large power equipment is typically displayed outside or within the seasonal area when inside. Checkout is typically right in front of the entry door.

TSCO has recently been working to increase the value perception of its customers by enhancing its assortment of merchandise when first entering the store. The idea is to assort up to a dozen SKUs at prices offering compelling values compared to any and all other stores. This will include items like cases of water, coolers, and selected apparel.

Unrivaled Store Base

Tractor Supply has a store base without equal in its particular niche: 895 stores serving rural lifestyle homeowners in more than 40 states. Several regional participants have similar product assortments (see the Competitive Environment section later in this report), while the only national participants are in tighter niches (Home Depot and Lowe's in power equipment, PetSmart and Petco in pet and equine). As such, TSCO is dominating a niche that is hard for others to compete with as they [TSCO] define the assortment for rural lifestyle homeowners. We believe this is a distinct competitive advantage.

Strong Management Team

James Wright, Chairman of the Board and CEO. Mr. Wright has been in his current positions as Chairman of the Board and CEO since November of 2007. Prior to that Mr. Wright also held the positions of President and CEO from October of 2004 to November of 2007. Mr. Wright has been a Director of the Company since 2002 and served as the President and COO of the Company from October of 2000 to October of 2004.

Anthony F. Crudele, Executive Vice President - Chief Financial Officer and Treasurer. Mr. Crudele has served in his current positions since January of 2007. Prior to that Mr. Crudele he served as Senior Vice President- Chief Financial Officer and Treasurer since November of 2005. Prior to joining Tractor Supply Mr. Crudele was Chief Financial Officer of Gibson Guitar from August 2003 to September of 2005, Chief Financial Officer of Xcelerate Corp. from 2000 to January of 2003, and at The Sports Authority from 1989 through 1999.

Gregory Sandfort, President and Chief Merchandising Officer. Mr. Sandfort has served in his current roles since February of 2009. Prior to that Mr. Sandfort served as the Executive Vice President - Chief Merchandising Officer since November of 2007. Prior to joining Tractor Supply Mr. Sandfort served as President and COO of Michaels stores from March of 2006 to August of 2007 and Vice President - General Merchandise Manager at Michaels Stores from January of 2004 to February of 2006. Mr. Sandfort was the Vice Chairman and Co-Chief Executive Officer of Kleinert's from 2002 to 2003 and Vice President of General Merchandise manager for Sears, Roebuck and Co. from 1998 to 2002.

Stanley Ruta, Executive Vice President and COO. Mr. Ruta has served in his current roles of Executive Vice President and COO since February of 2009. Prior to that Mr. Ruta was the Executive Vice President of Store Operations since January of 2007. Prior to that Mr. Ruta was the Senior Vice President of Store Operations since 2000 and Vice President of Store Operations since 1994.

INDUSTRY OVERVIEW

Tractor Supply operates in six major merchandise categories: livestock and pets, seasonal products, hardware and tools, clothing and footwear, truck and towing, and agriculture. Many of these product categories are carried by other retailers, but no other retailer carries this Rural Lifestyle assortment on a national basis.

Livestock and Pet

Pet stores sell all things pet including, pet foods, collars, leashes, health products, shampoo, toys, kennels, and pet services. The industry in 2008 generated revenues of over \$52 billion with over 20,000 establishments. The largest product segment is pet food which generated over half of the industry revenue in 2008. The competition is average, but two pet supply chains, PetSmart and Petco, together make up the largest part of the industry revenue.

Seasonal Products

Tractor Supply operates within the Lawn and Outdoor Equipment industry as a major retailer in which companies specialize in outdoor power equipment, consumer lawn and garden equipment, lawn mowers, front end garden tractors, chain saws, leaf blowers, and hedge trimmers. According to IBIS World, the industry had revenues of \$4.4 billion in 2008 with 4,400 units across the U.S. Revenues have decreased an average of 4.2% over the past five years primarily due to home improvement stores such as Home Depot and Lowe's moving into certain parts of the industry. If you included the Home Improvement sector, overall industry revenue would be \$130.4 billion. Lawn and garden equipment lead the industry, accounting for 86% of the revenues in 2008. Lawn and garden equipment in this industry include walk behind and riding lawn mowers, garden tractors, chain saws and hedge trimmers. This equipment is typically more expensive with lower volumes. Equipment and Parts represent about 4.6% of industry revenue. Labor charges represent 6.9% of industry revenues as more people hire the retailer to set the equipment or perform the work.

Sales within the industry are distributed across household consumers and individuals as well as professionals. Household consumers and individuals make up 80% of sales within the industry typically from garden and lawn equipment. Generally household consumers and individuals are more price sensitive. Professionals make up 20% of industry revenue. Typically these customers are commercial lawn care providers, institutions and golf courses. The reason that this group only represents 20% of the market is because they are more likely to make purchases from wholesalers or manufactures.

Industry demand over the past year has slowed due the slump in the housing market, lower discretionary income and weak economic conditions. In addition to a continued slump in the housing market, lower discretionary income and deteriorating general economic conditions there are other near term negatives that could affect the industry: 1)High unemployment resulting in future job instability; 2) Rising interest rates and the availability of financing; and 3) Building activity and the level of disposable income continue to fall.

Hardware and Tools

Tractor Supply participates as a hardware retail store that sells a broad range of home renovation equipment and supplies. Hardware, plumbing, electrical and paint related tools are the most commonly stocked goods. In 2009 the industry had revenues of almost \$20 billion with over 17,000 establishments. 90% of the goods purchased in this industry are by consumer while contractors make up the remaining 10%. The industry competition is low and the major companies account for less than 40% of the market share.

Apparel

Apparel in the U.S. is over a \$56 billion industry dominated by women's clothing, which makes up 74% of the industry or \$41.5 billion. Kids generated \$10.8 billion in 2008, while men generated only \$3.8 billion. For men, work wear made up almost 25% of industry revenue according to IBIS World. Although Tractor Supply targets Western Wear and work apparel, men and women's clothing is split pretty much 50/50.

Trucks and Towing

Tractor Supply competes with auto parts stores through a wide range of new parts for trucks and towing. The auto parts store industry had revenues of over \$47 billion in 2008 and had over 60,000 establishments. As the economy has weakened consumers have been more cautious with discretionary income and spending it on new vehicles. Auto parts stores have been a direct beneficiary of this as demand for vehicle parts for the used vehicles have greatly increased. The competition within the auto parts stores is average with a large number of small firms that specialize in a particular product. Over the next few years look for industry consolidation to increase as larger companies look to take advantage of struggling companies and increase their own market share.

Agriculture

The sale of agriculture equipment and supplies is highly fragmented, with regional and local chains providing most competition in this space. Sales of equipment and supplies in this area are estimated at over \$90 billion annually, but in the markets served by TSCO (hobby farms versus production farms) the market opportunity is maybe 10% of that amount.

COMPETITIVE ENVIRONMENT

Tractor Supply has no major direct competitor that operates nationally. Rather, it competes against a couple of strong regional competitors, a few large retailers in selected segments, and thousands of independent and associated stores (typically coop-related stores). The best regional competitors are Mills Fleet Farm and Blain's Farm and Fleet. Home Depot, Lowe's, and Menard's compete with TSCO in the power equipment segments, and PetSmart and Petco are the major competitors in pet and equine.

Mills Fleet Farm

Mills Fleet Farm is a retail chain of 31 stores in Minnesota, Iowa, Wisconsin, and North Dakota and is one of Tractor Supply's closest competitors. Mills Fleet farm competes with Tractor Supply in the areas of lawn and garden supplies, paint, pet supplies, apparel, power equipment, tools, automotive goods and farm supplies. In addition to offering these products Mills Fleet farm also offers hunting and fishing equipment, home center products, housewares, children's toys and appliances. The company was founded in 1955 by the Mills family, owners of Mills Automotive Group dealerships in Brainerd and Willmar, MN, as well as Fleet Wholesale Supply in Marshfield, Wisconsin. It took its present name in 1960. The company is headquartered in Appleton, Wisconsin.

Blain's Farm and Fleet

Blain's Farm & Fleet is a regional chain of 34 retail stores in Wisconsin, Illinois, and Iowa and is one of Tractor Supply's closest competitors. Blain's Farm and Fleet competes with Tractor Supply in the areas of agricultural supplies and equipment, automotive goods, hardware, lawn and garden supplies, apparel, paint, pet supplies and tools. In addition Blain's also offers hunting and fishing equipment, appliances, children's toys and appliances much like Mills Fleet Farm. The company was founded in Janesville, Wisconsin in 1955 by brothers W. C. (William Charles) Blain and N. B. (Bert) Blain.

Home Depot

The Home Depot is the world's largest home improvement retailer. Home Depot sells a wide assortment of building materials, home improvement and lawn and garden products and provides a number of services. In particular, The Home Depot primarily competes with Tractor Supply in the areas of power equipment, lawn and garden supplies, and tools. The Home Depot stores average approximately 105,000 square feet of enclosed space, with approximately 24,000 additional square feet of outside garden area. These stores primarily cater for the 'do-it-yourself' market of home improvements and stock between 40,000-50,000 products. As of the end of 2008 there were 2,233 Home Depot Stores, employing over 300,000 people with revenues of over \$70 billion.

Lowe's

Lowe's Companies, Inc. is the world's second largest home improvement retailer. Lowe's was founded in 1946 in North Wilkesboro, North Carolina and offers home improvement products in the categories of appliances, lumber, paint, flooring, building materials, millwork, lawn & landscape products, fashion plumbing, hardware, lighting, tools, seasonal living, rough plumbing, outdoor power equipment, cabinets & countertops, nursery, rough electrical, home environment, home organization, and windows & walls. Like Home Depot, Lowe's primarily competes with Tractor Supply in the areas of power equipment, lawn and garden supplies, and tools. Lowe's operates 1,638 stores across 50 states and 11 stores in Canada serving over 14 million customers a week and the 1,649 stores represent approximately 187 million square feet of retail selling space.

Menard, Inc.

Menard's is significantly smaller than its bigger competitors – Home Depot and Lowe's – with 200 stores operating in 12 U.S. states. Menard's is a home improvement retailer, with a product assortment that includes tools, hardware, lumber and paint. In 2000, Menard's implemented a strategy of opening larger stores that average 162,000 square feet compared to its previous size stores which averaged 74,000 sq. feet. Presently it is America's third largest home improvement retailer with consolidated revenue estimated to be around \$8 billion.

PetSmart

PetSmart, Inc. is the largest specialty retailer of services and solutions for the lifetime needs of pets. PetSmart competes with Tractor Supply in the pet supply area. PetSmart operates more than 1,145 pet stores in the U.S. and Canada, and is the leading online provider of pet supplies and pet care information. PetSmart provides a broad range of competitively priced pet food and pet supplies; offers complete pet training, pet grooming and pet adoption services.

Petco

Petco is a chain of retail stores that offers pet supplies and services such as grooming and dog training. Petco has over 990 locations in all 50 states and employs more than 22,000 people. Founded in 1965 and incorporated in Delaware, it is headquartered in San Diego, California, and is now a private company held by Texas Pacific Group and Leonard Green & Partners.

OUTLOOK

Tractor Supply is poised to continue delivering strong EPS growth on modestly improving comps over the next 18 months. TSCO has substantial remain growth opportunity, with a store base that could more than double – allowing nearly 10 years of 10% unit growth. In addition, comps should get sequentially strong through 2010, with the distinct possibility that strong power equipment sales next spring could deliver substantial upside to sales. In the meantime, management of TSCO has this model tightly focused and ready to deliver strong operational leverage. The combination of substantial remaining growth, rebounding comps, and operational leverage should easily support EPS growth of 15% the next 3-5 years.

Unit Opportunity Remains Compelling

Tractor Supply should easily be able to more than double its store base. As shown in the nearby table, Tractor Supply operated 855 stores in 44 states as of December 27, 2008. TSCO's largest states by number of stores include Texas (113), Ohio (68), Michigan (62), Tennessee (55), and Pennsylvania (47). Conversely, TSCO most penetrated states as measured by stores per capita are North Dakota (one store for every 92,000 residents), Tennessee and West Virginia (both with one store per 113,000 residents), Kentucky (138,000), Nebraska (145,000), Vermont (155,000), Michigan and South Dakota (161,000), Ohio (169,000), and Indiana and Oklahoma (182,000).

Tractor Supply Stores by State As of December 27, 2008

State	Pop. (000)	TSCO Stores	State	Pop. (000)	TSCO Stores	State	Pop. (000)	TSCO Stores
Alabama	4,662	16	Maine	1,316	2	Ohio	11,486	68
Arkansas	2,855	11	Maryland	5,634	8	Oklahoma	3,642	20
California	36,757	15	Massachusetts	6,498	3	Oregon	3,790	3
Connecticut	3,501	5	Michigan	10,003	62	Pennsylvania	12,448	47
Delaware	837	2	Minnesota	5,220	8	Rhode Island	1,051	1
Florida	18,328	36	Mississippi	2,939	4	South Carolina	4,480	15
Georgia	9,686	35	Missouri	5,912	11	South Dakota	804	5
Hawaii	1,288	3	Montana	967	1	Tennessee	6,215	55
Idaho	1,524	1	Nebraska	1,738	12	Texas	24,327	113
Illinois	12,902	13	New Hampshire	1,316	6	Vermont	621	4
Indiana	6,377	35	New Jersey	8,683	7	Virginia	7,769	28
Iowa	3,003	10	New Mexico	1,984	1	Washington	6,549	21
Kansas	2,802	11	New York	19,490	45	West Virginia	1,814	16
Kentucky	4,269	31	North Carolina	9,222	35	Wisconsin	5,628	14
Louisiana	4,411	9	North Dakota	641	7			

Sources: US Census Bureau and Tractor Supply

TSCO could grow its number of units by 10% annually for 9 years before saturating the low-end of this 2000-2500 store range. We assume that Tractor Supply should be able to penetrate the United States in a manner comparable to its state's with the highest relative penetration. TSCO has opened one store for every 151,000 residents in its top 11 states. Applying this measure to the estimated present US population of 304 million yields a store opportunity of 2,000 units. Applying TSCO's penetration in its top 5 states of one store for every 121,000 residents provides an opportunity for 2,500 units.

Comps Should Turn in 2010

TSCO's merchandise assortment has allowed it to manage through the difficult US economy by flexing stronger categories to offset weakness in other areas like tractor sales. We believe a recovering economy will be good for almost all of TSCO merchandise categories in 2010, and in particular apparel and seasonal strength could really drive comps (and margins).

Rain and Economic Gain Should Drive Tractor Sales

TSCO's power equipment business, particularly garden and lawn tractor sales, has suffered in this tough economic environment, with regional droughts in the southeast and southwest further hurting regional sales. We believe there are reasons to be optimistic for sales in these categories. First, a recovering economy would likely drive sharply higher tractor sales as household income stabilizes and then recovers. Second, the replacement cycle on tractors has lengthened to a point that is difficult to push further. As tractors age and repairs become more intensive and frequent, it is often cheaper to replace than repair. Third, weather is cyclical and any relative improvement in moisture in the southeast and southwest would likely benefit tractor comps substantially. We note that industry-wide riding lawnmower sales have declined at near an 18% annual pace for over a year. We are looking for stability in this sector as a first positive catalyst for TSCO, and then a sales growth as a second catalyst.

Major Operational Leverage

Management of TSCO has done a commendable job managing margins and expenses in this difficult economy, driving net income 15% higher this year on a slightly negative comp. We believe this sort of management makes for compelling long-term margin opportunity as comps and overall sales recover. Our model provides a gross profit margin of 31.36% in 2009 and 31.47% in 2010, compared to 30.74% in 2008 and 31.54% in 2007. In an exceptional year (strong comps and minimal markdowns), we would not be surprised to see GPMs in the 32.50% range.

Operational expenses could also yield leverage: positive comps in 2010 and beyond should drive SG&A down as a percentage of sales. We are being more cautious on this front, however, as we believe management will offset this leverage with increased emphasis on marketing and branding as the economy recovers. Conversely, positive comps will clearly help leverage D&A expenses, which could add nicely to operating margins.

15% Long-term EPS Growth

We believe Tractor Supply's model will drive EPS growth of 15% annually for the next 3-5 years as the company realizes the benefits of an improving economy, stronger comps, recovering gross margins, and opportunities for operational leverage. If unit growth was accelerated from 7%-8% to 10%, an EPS growth rate of 17% to 18% could be achieved over the same time period.

FINANCIAL CONDITION

Tractor Supply has been well positioned to weather the tough economy, and this strong balance sheet should easily fund the stronger sales environment we see starting in 2010. TSCO's balance sheet is conservatively financed with shareholder's equity \$664 million providing almost all long-term capitalization. Capital needs are simple: Working capital to build inventories particularly in early spring for power equipment sales and in fall for seasonal/Holiday sales; and Cap Ex to build the store base.

Importantly, we believe TSCO could accelerate store development with available funds if the economic environment turns positive. Our model provides mid- to high-single digit growth in 2009-2010, but TSCO's remaining store opportunity is such that growth could be accelerated to 10% or higher fairly easily and sustainably. Growth at this rate is noticeably absent among mid-cap retailers, and TSCO's relative valuation might move higher if such a move were made.

VALUATION

Tractor Supply's valuation reflects a middling outlook, a reasonable reflection of the company's strong expense management amidst a very difficult sales environment. TSCO is presently valued at 16.6 times our 2009 EPS estimate of \$2.86, a 7% discount to the average multiple of 17.8 times this year's results for companies in the Lifestyle Retailing category. The multiple of 14.1 times our 2010 EPS estimate is similarly discounted 5% from the group average of 14.78 times.

We believe TSCO's multiple will work to a premium to the group for several reasons. First, TSCO has managed its business extremely well in the difficult economy, driving strong earnings growth despite the conditions. As operating conditions improve and the consumer starts to spend more aggressively TSCO should see a marked improvement in its comps and operating leverage that should be substantial. Second, difficult comps in garden and lawn tractors will not persist forever; the replacement cycle will cause this equipment to see a sales rebound. If it coincides with a substantial economic recovery the impact of this rebound could be significant. Third, TSCO remains a compelling growth opportunity, with more than a doubling of the store base remaining as an opportunity. For these reasons and more TSCO's multiple should be higher than the group average.

Our 12-month target price of \$56 assumes that Tractor Supply's assumes that TSCO continues to trade at a discount. We assume the valuation gap narrows slightly to a 5% discount, or 17.0 times our 2010 EPS estimate of \$3.30. If the economic recovery does take hold and drive stronger comps, margins and operating leverage next year, we would expect TSCO's multiple to move to a premium, which could drive a share price closer to \$60-\$65 in 12 months on EPS of \$3.40 or higher.

Tractor Supply

Earnings Model Summary
\$ in millions except per share

Feltl and Company

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Income Statement:

	1Q-07	2Q-07	3Q-07	4Q-07	1Q-08	2Q-08	3Q-08	4Q-08	1Q-09	2Q-09	3Q-09 (E)	4Q-09 (E)	1Q-10 (E)	2Q-10 (E)	3Q-10 (E)	4Q-10 (E)	2007	2008	2009 (E)	2010 (E)
Net sales	\$ 559.8	\$ 790.9	\$ 629.2	\$ 723.3	\$ 576.2	\$ 898.3	\$ 733.9	\$ 799.5	\$ 650.2	\$ 946.5	\$ 761.3	\$ 845.9	\$ 688.5	\$ 1,041.1	\$ 829.6	\$ 927.2	\$ 2,703.2	\$ 3,007.9	\$ 3,203.8	\$ 3,486.3
Cost of merchandise sold	391.7	540.5	430.6	487.8	400.7	618.9	509.3	554.5	449.1	644.3	529.4	576.3	475.9	707.0	576.0	630.1	1,850.5	2,083.3	2,199.2	2,389.1
Gross margin	168.2	250.4	198.6	235.5	175.5	279.5	224.6	245.0	201.0	302.2	231.8	269.6	212.6	334.0	253.6	297.0	852.7	924.6	1,004.7	1,097.3
Selling, general & administrative	147.2	167.0	156.1	171.4	163.2	187.3	176.8	188.7	183.7	197.8	187.0	201.0	195.0	216.9	202.8	218.8	641.6	716.0	769.4	833.4
Depreciation & amortization	12.0	12.4	12.9	13.8	14.4	15.0	15.3	16.0	16.2	16.1	16.0	16.1	16.0	16.2	16.1	16.3	51.1	60.7	64.4	64.7
Income (loss) from operations	9.0	71.1	29.7	50.3	(2.0)	77.1	32.5	40.4	1.2	88.3	28.8	52.5	1.6	101.0	34.7	61.9	160.0	147.9	170.8	199.1
Interest expense, net	0.9	0.6	1.5	2.0	1.2	0.6	(0.1)	0.4	0.4	0.3	0.5	0.5	0.5	0.5	0.5	0.5	5.0	2.1	1.7	2.0
Income (loss) before income taxes	8.1	70.5	28.2	48.3	(3.3)	76.6	32.6	40.0	0.8	88.0	28.3	52.0	1.1	100.5	34.2	61.4	155.0	145.8	169.1	197.1
Income tax expense (benefit)	3.1	26.7	10.7	18.3	1.3	29.5	12.8	15.3	0.3	33.3	10.9	20.0	0.4	38.7	13.2	23.6	58.8	58.8	64.5	75.9
Net income (loss)	\$ 5.0	\$ 43.8	\$ 17.5	\$ 30.0	\$ (4.5)	\$ 47.0	\$ 19.8	\$ 24.7	\$ 0.5	\$ 54.8	\$ 17.4	\$ 32.0	\$ 0.7	\$ 61.8	\$ 21.0	\$ 37.8	\$ 96.2	\$ 87.0	\$ 104.6	\$ 121.24

EPS:

Basic	\$ 0.12	\$ 1.10	\$ 0.45	\$ 0.79	\$ (0.12)	\$ 1.26	\$ 0.54	\$ 0.68	\$ 0.01	\$ 1.53	\$ 0.48	\$ 0.89	\$ 0.02	\$ 1.72	\$ 0.58	\$ 1.05	\$ 2.45	\$ 2.36	\$ 2.91	\$ 3.37
Diluted	\$ 0.12	\$ 1.08	\$ 0.44	\$ 0.77	\$ (0.12)	\$ 1.24	\$ 0.53	\$ 0.67	\$ 0.01	\$ 1.50	\$ 0.47	\$ 0.87	\$ 0.02	\$ 1.68	\$ 0.57	\$ 1.03	\$ 2.40	\$ 2.33	\$ 2.86	\$ 3.30
Weighted average shares (millions):																				
Basic	40.2	39.6	39.0	38.1	37.5	37.2	36.4	36.2	36.0	35.9	36.0	36.0	36.0	36.0	36.0	36.0	39.2	36.8	36.0	36.0
Diluted	41.1	40.6	39.8	38.8	37.5	37.8	37.1	36.8	36.6	36.5	36.7	36.7	36.7	36.7	36.7	36.7	40.1	37.3	36.6	36.7

Gross profit margin	30.04%	31.66%	31.57%	32.56%	30.46%	31.11%	30.60%	30.65%	30.92%	31.93%	30.45%	31.88%	30.87%	32.09%	30.57%	32.03%	31.54%	30.74%	31.36%	31.47%
Operating margin	1.60%	8.99%	4.72%	6.95%	-0.35%	8.59%	4.43%	5.05%	0.18%	9.33%	3.79%	6.21%	0.23%	9.70%	4.18%	6.68%	5.92%	4.92%	5.33%	5.71%
Net margin	0.89%	5.53%	2.78%	4.15%	-0.79%	5.23%	2.69%	3.09%	0.07%	5.79%	2.29%	3.78%	0.09%	5.93%	2.54%	4.07%	3.56%	2.89%	3.27%	3.48%

Sales Model:

Stores at period end	698	717	738	764	791	814	834	855	882	895	915	929	949	963	984	998	764	855	929	998
Same-store sales	0.0%	1.0%	1.9%	3.7%	-6.7%	3.4%	6.2%	1.3%	4.2%	-2.7%	-4.0%	-2.0%	-1.0%	0.0%	0.5%	1.0%	3.4%	1.4%	-1.4%	0.4%

Growth:

Sales					2.93%	13.58%	16.64%	10.54%	12.84%	5.36%	3.73%	5.80%	5.90%	9.99%	8.98%	9.61%		11.27%	6.51%	8.82%
Gross margin					4.36%	11.60%	13.07%	4.07%	14.54%	8.13%	3.21%	10.04%	5.74%	10.54%	9.42%	10.15%		8.44%	8.66%	9.22%
Operating margin					-122.77%	8.46%	9.50%	-19.71%	-157.95%	14.48%	-11.28%	30.00%	31.83%	14.34%	20.44%	17.94%		-7.56%	15.44%	16.60%
Net income					-190.58%	7.45%	13.13%	-17.67%	-110.38%	16.47%	-11.86%	29.38%	38.99%	12.81%	20.80%	18.11%		-9.64%	20.31%	15.88%
EPS																				

Balance Sheet Summary:

Cash and cash equivalents	\$ 20.4	\$ 30.9	\$ 14.7	\$ 13.7	\$ 17.4	\$ 63.0	\$ 16.6	\$ 37.2	\$ 37.4	\$ 91.8	\$ 13.7	\$ 13.1	\$ (10.9)	\$ 152.6	\$ 78.5	\$ 76.2	\$ 13.7	\$ 37.2	\$ 13.1	\$ 76.2
Inventories	722.9	692.4	699.3	636.0	746.1	683.3	716.8	603.4	730.1	644.9	647.1	719.0	671.3	702.7	705.2	788.1	636.0	603.4	719.0	788.1
Property & equipment, net	306.0	321.5	331.8	332.9	345.1	357.2	357.3	362.0	364.7	363.9	367.9	365.8	369.8	367.5	372.4	370.1	332.9	362.0	365.8	370.1
Total assets	\$ 1,120.6	\$ 1,123.3	\$ 1,122.6	\$ 1,058.0	\$ 1,186.7	\$ 1,176.3	\$ 1,165.0	\$ 1,076.0	\$ 1,200.4	\$ 1,171.5	\$ 1,094.0	\$ 1,167.0	\$ 1,093.5	\$ 1,300.8	\$ 1,226.6	\$ 1,309.4	\$ 1,058.0	\$ 1,076.0	\$ 1,167.0	\$ 1,093.5
Accounts payable	320.9	348.0	281.2	258.3	360.8	394.0	366.1	286.8	382.6	294.8	251.2	279.1	227.2	322.7	257.2	287.4	258.3	286.8	279.1	287.4
Accrued expenses	110.6	110.2	111.5	115.6	98.3	101.3	108.0	113.5	103.1	109.5	91.4	101.5	82.6	122.3	97.5	108.9	115.6	113.5	101.5	108.9
Total liabilities	535.3	529.0	537.8	492.6	621.9	584.6	564.2	465.9	594.8	507.1	412.1	453.2	379.0	524.6	429.4	474.4	492.6	465.9	453.2	474.4
Stockholders' equity	585.3	594.3	584.8	565.3	564.8	591.7	600.8	610.1	605.7	664.4	681.8	713.8	714.5	776.2	797.3	835.0	565.3	610.1	713.8	835.0

September 1, 2009

Ticker	Company Name	(prev close)			Market Value	Year End	Trail 12m Revenue	Price / Sales	Shares Out	Book Value	Price / Book	First Call - EPS Estimates				Operating			P/E			EBITA			Enterprise Value	EV/EBITA			NY Revenue	price NY rev
		Price	High	Low								Trail	TY	NY	Margin	Trail	TY	NY	Trail	TY	NY	Trail	TY	NY		Trail	TY	NY		
Discount/ Extreme Value																														
WMT	WAL-MART STORES INC	50.87	63.85	46.25	198,221.0	01	400,699.0	0.49	3,896.6	17.68	2.9	3.52	3.58	3.91	4.59	14.5	14.2	13.0	29,897.0	30,664.4	33,014.9	225,494.96	7.5	7.4	6.8	435450.3	0.5			
TGT	TARGET CORPORATION	47	59.55	25.00	35,339.3	01	64,979.0	0.54	751.9	19.20	2.4	2.95	3.01	3.36	6.78	15.9	15.6	14.0	6,228.0	6,327.4	6,795.6	52,341.30	8.4	8.3	7.7	67000.8	0.5			
COST	COSTCO WHOLESALE CORP	50.98	71.00	30.70	22,170.2	08	73,068.5	0.30	434.9	20.87	2.4	2.46	2.46	2.69	2.73	20.7	20.7	19.0	2,637.8	2,485.5	2,653.6	21,101.12	8.0	8.5	8.0	75127.5	0.3			
DLTR	DOLLAR TREE INC	49.94	51.72	27.61	4,489.4	01	4,794.7	0.94	89.4	15.03	3.3	2.53	3.27	3.65	7.90	19.7	15.3	13.7	527.5	629.6	684.9	4,375.01	8.3	6.9	6.4	5583.4	0.8			
FDO	FAMILY DLR STORES INC	30.28	35.00	19.70	4,230.8	08	7,054.4	0.60	139.7	10.05	3.0	2.06	2.06	2.27	5.23	14.7	14.7	13.3	514.9	615.0	659.4	4,322.34	8.4	7.0	6.6	7809.1	0.5			
NFN	99 CENTS ONLY STORES	13.57	15.45	6.86	929.2	03	1,211.3	0.77	68.5	7.72	1.8	0.41	0.58	0.70	1.78	33.5	23.4	19.4	62.7	92.4	105.7	814.79	13.0	8.8	7.7	1436.8	0.6			
BIG	BIG LOTS INC	25.42	35.33	12.62	2,098.4	01	4,635.4	0.45	82.5	10.12	2.5	1.94	1.98	2.14	5.49	13.1	12.8	11.9	--	342.8	361.6	2,063.62	6.0	5.7	4.7	4746.6	0.4			
Group Average								0.59			2.62				18.88	16.67	14.89							0.53						
Lifestyle Retailing																														
CAB	CABELAS INC	16.05	17.73	4.18	1,076.4	12	2,556.7	0.42	67.1	13.94	1.2	1.14	1.12	1.20	5.53	14.1	14.3	13.4	205.7	216.4	219.4	1,045.59	5.1	4.8	4.8	2608.8	0.4			
DKS	DICK'S SPORTING GOODS INC	22.41	27.00	9.21	1,959.4	01	4,177.7	0.47	112.6	8.39	2.7	1.13	1.08	1.22	5.80	19.9	20.7	18.4	327.9	310.8	345.3	2,065.79	6.3	6.6	6.0	4533.0	0.4			
HIBB	HIBBETT SPORTS INC	17.6	25.75	10.06	503.9	01	576.1	0.87	28.6	5.14	3.4	0.96	0.91	1.08	8.50	18.4	19.3	16.3	62.3	57.2	65.6	483.05	7.8	8.4	7.4	612.1	0.8			
GMTN	GANDER MOUNTAIN CO	5.62	6.49	0.97	136.0	01	1,084.6	0.13	24.2	6.67	0.8	0.03	0.16	0.42	0.90	35.1	13.4	34.2	34.2	50.2	61.7	184.73	5.4	3.7	3.0	1185.2	0.1			
BGIV	BIG 5 SPORTING GOODS CORP	15.27	16.21	3.02	328.7	12	862.1	0.38	21.5	5.32	2.9	0.81	0.90	1.03	3.19	18.8	17.0	14.9	46.7	53.0	57.8	419.08	9.0	7.9	7.3	912.4	0.4			
LTM	LIFE TIME FITNESS INC	31.12	41.50	7.07	1,284.2	12	791.6	1.62	41.3	17.11	1.8	1.83	1.58	1.88	19.15	17.0	19.7	16.6	225.3	238.1	258.7	1,975.91	8.8	8.3	7.6	891.0	1.4			
TSCO	TRACTOR SUPPLY COMPANY	47.08	48.99	28.67	1,696.2	12	3,081.9	0.55	36.0	18.25	2.6	2.33	2.86	3.30	4.51	20.2	16.5	14.3	196.3	241.2	261.5	1,660.72	8.5	6.9	6.4	3437.9	0.5			
HZO	MARINEMAX INC	7.05	9.66	1.19	131.7	09	770.4	0.17	18.7	11.15	0.6	(2.70)	(2.86)	(0.84)	(1.38)	na	na	na	(0.1)	(37.0)	(2.0)	101.43	(2.7)	(50.7)	555.9	0.2				
BKS	BARNES & NOBLE INC.	20.69	33.64	10.77	1,180.2	01	5,083.9	0.23	54.0	15.54	1.3	1.44	1.35	1.42	3.03	14.4	15.3	14.5	331.6	314.6	337.0	898.57	2.7	2.9	2.7	4877.1	0.2			
JAS	JO-ANN STORES INC	27.32	29.15	10.31	722.6	01	1,915.0	0.38	26.4	18.70	1.5	1.18	1.48	1.73	2.25	23.2	18.5	15.8	94.9	114.4	131.0	707.99	7.5	6.2	5.4	2059.6	0.4			
RGS	REGIS CORP	16.18	31.49	8.21	709.7	06	2,751.6	0.26	43.9	18.27	0.9	1.81	1.21	1.06	6.44	8.9	13.4	15.3	--	258.6	281.8	1,116.62	4.3	4.0	4.0	2475.3	0.3			
PETM	PETSMART INC	20.91	28.86	13.27	2,635.4	01	5,179.9	0.51	126.0	9.43	2.2	1.46	1.42	1.52	7.30	14.3	14.7	13.8	594.9	579.3	596.6	3,062.80	5.1	5.3	5.1	5483.9	0.5			
SBH	SALLY BEAUTY HOLDINGS INC	7.11	10.50	2.66	1,294.8	09	2,638.0	0.49	182.1	(3.69)	(1.9)	0.54	0.55	0.64	10.68	13.3	13.0	11.1	331.4	342.2	365.6	2,919.66	8.8	8.5	8.0	2745.4	0.5			
BBY	BEST BUY INCORPORATED	36.28	100.66	16.42	15,105.5	02	41,086.0	0.37	416.4	12.46	2.9	2.87	2.85	3.09	4.47	12.7	12.7	11.7	2,807.0	2,901.2	3,074.3	15,722.50	5.6	5.4	5.1	50732.0	0.3			
Group Average								0.49			1.63				16.26	17.71	14.56							0.34						
Home																														
BBBY	BED BATH & BEYOND INC	36.48	38.23	16.23	9,553.9	02	7,144.1	1.34	261.9	11.58	3.1	1.71	1.78	2.01	9.35	21.4	20.5	18.2	849.5	922.9	983.6	8,883.65	10.5	9.6	9.0	7919.6	1.2			
WSM	WILLIAMS SONOMA INC	19.13	20.50	4.35	2,022.6	01	3,191.3	0.63	105.7	10.41	1.8	0.33	0.31	0.51	2.17	58.5	37.2	200.9	195.5	229.4	1,884.01	9.4	9.6	8.2	2958.2	0.7				
HD	HOME DEPOT INC	27.29	30.74	17.05	46,485.6	01	69,556.0	0.67	1,703.4	10.99	2.5	1.63	1.52	1.65	6.11	16.8	18.0	16.5	7,212.0	6,384.9	6,671.2	55,627.65	7.7	8.7	8.3	66092.7	0.7			
LOW	LOWE'S COMPANIES INC	21.5	28.49	13.00	31,755.5	01	48,053.0	0.66	1,476.5	12.52	1.7	1.32	1.20	1.34	7.91	16.3	17.9	16.0	5,455.0	4,804.5	5,057.9	36,133.50	6.6	7.5	7.1	48442.2	0.7			
ETH	ETHAN ALLEN INTERIORS INC	15.54	34.02	6.98	449.4	06	937.2	0.48	28.9	10.56	1.5	(0.22)	0.21	0.70	(0.86)	na	74.6	22.2	--	36.9	63.1	577.98	15.7	9.2	642.8	0.7				
Group Average								0.76			2.13				28.22	32.75	22.00							0.79						
Other																														
SPLS	STAPLES INC	21.61	26.43	13.57	15,609.8	01	24,016.8	0.65	722.3	7.84	2.8	1.19	1.13	1.36	6.69	18.1	19.2	15.9	2,094.4	2,063.3	2,264.6	16,944.96	8.1	8.2	7.5	24531.4	0.6			
TITN	TITAN MACHINERY INC	12.05	26.28	7.50	213.6	01	704.2	0.30	17.7	9.94	1.2	0.99	0.92	1.06	4.77	12.2	13.1	11.4	37.5	36.1	38.9	142.40	3.8	3.9	3.7	784.3	0.3			
TIF	TIFFANY AND COMPANY	36.38	45.80	16.70	4,513.8	01	2,714.9	1.66	124.1	12.67	2.9	1.89	1.58	1.79	17.08	19.2	23.0	20.4	630.5	498.9	550.0	4,778.78	7.6	9.6	8.7	2599.1	1.7			
Group Average								0.87			2.28				16.52	18.46	15.89							0.86						
Overall Average								0.60			2.03				18.83	19.75	16.11							7.51	6.98	4.57	0.88			

Estimates provided by First Call

Feltl and Company EPS Estimates for CABLTM, RGS, TSCO and DLTR

Analyst Certification

I, **Brent R. Rystrom**, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

Important Disclosures:

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As of the end of the month preceding the date of publication of this report, Feltl and Company **did not** beneficially own 1% or more of any class of common equity securities of the subject company.

There is **not** any actual material conflict of interest that either the analyst or Feltl and Company is aware of.

The analyst **has not** received any compensation for any investment banking business with this company in the past twelve months and **does not** expect to receive any in the next three months.

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Feltl and Company **has not** served as a broker, either as agent or principal, buying back stock for the subject company's account as part of the company's authorized stock buy-back program in the last twelve months.

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Feltl and Company Rating System: Feltl and Company utilizes a four tier rating system for potential total returns over the next 12 months.

Strong Buy: The stock is expected to have total return potential of at least 30%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.

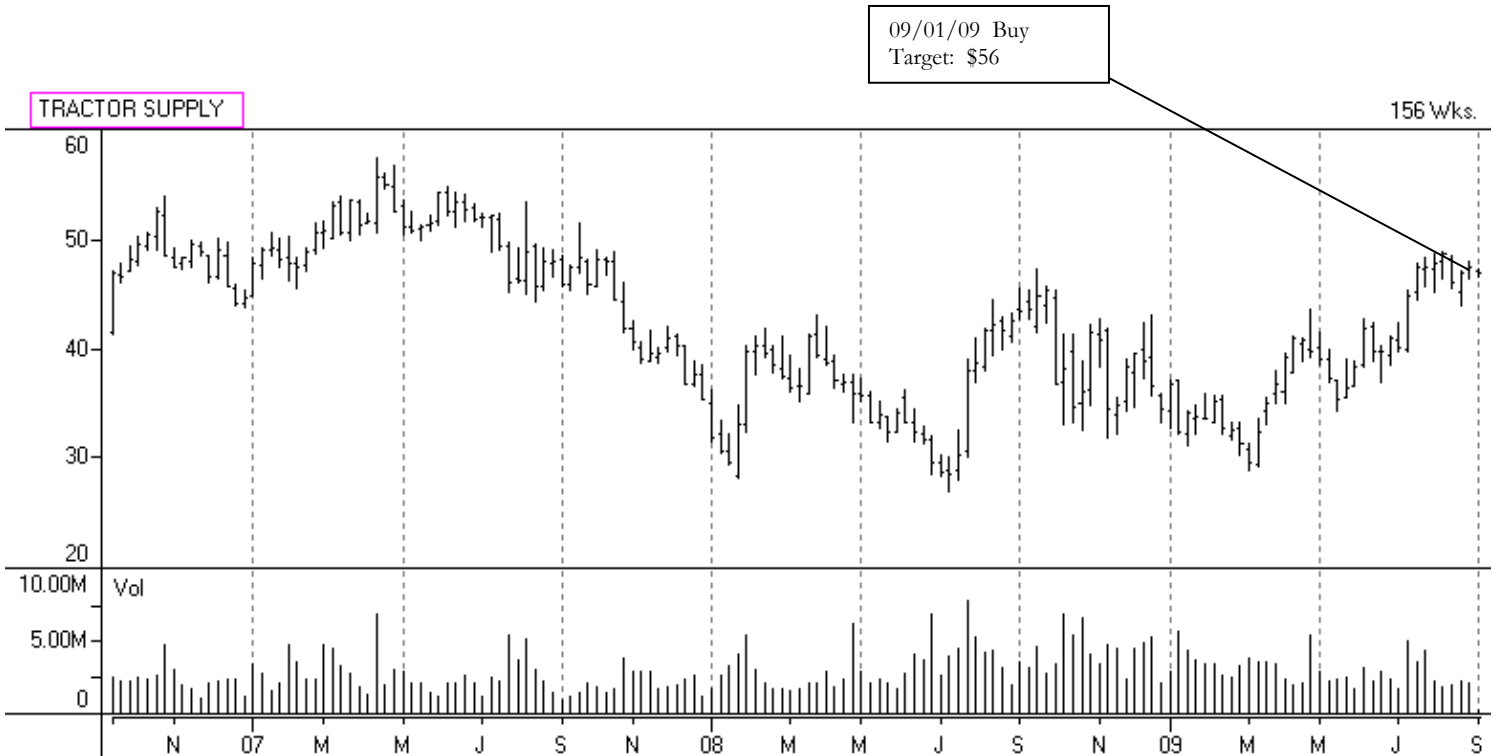
Buy: The stock is expected to have total return potential of at least 15%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.

Hold: The stock is expected to have total return potential of less than 15%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.

Sell: Expect a negative total return. Current positions may be used as a source of funds.

9/1/2009				
Ratings Distribution for Feltl and Company				
Rating	Number of Stocks	Percent of Total	----- Investment Banking -----	
			Number of Stocks	Percent of Rating category
SB/Buy	23	61%	2	9%
Hold	13	34%	0	0%
Sell	2	5%	0	0%
	38	100%	2	5%

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.



Date	Nature of Report	Rating	Price Target
09/01/09	Initiation@\$47.53	Buy	\$56

Feltl and Company does make a market in the subject security at the date of publication of this report. As a market maker, Feltl and Company could act as principal or agent with respect to the purchase or sale of those securities.

Valuation and Price Target Methodology:

Our price target on TSCO is based on a multiple of FY2010 EPS that is a 7% discount to the average multiple accorded Lifestyle Retailing participants. We believe the discounted multiple reflects TSCO's recently weak same-store sales performance. Eventually, we believe a premium multiple is likely because of TSCO's strong growth, high operating margins, profit growth, and exceptional return on assets and equity. Such valuation would also place TSCO's EV/EBITDA multiple in the mid-point of the range for the same peer group.

Risks to Achievement of Estimates and Price Target:

- Tractor Supply's (TSCO) merchandise assortment includes a large proportion of discretionary items that have and could continue to negatively impact sales results. So far through this recession TSCO has minimized this issue by successfully focusing on margin and expense management, minimizing the impact of the difficult sales environment for discretionary items.
- TSCO competes with several retailers that are massively larger in terms of total sales, including Home Depot, Lowe's, Menard's and PetSmart. Competitive moves by any or all of these retailers could negatively affect TSCO's operational results.

- Sales of certain TSCO products are heavily influenced by weather. Riding lawnmower sales, for example, have been weak for several years in the southeast and southwest regions of the country as a result of drought conditions in those areas.
- TSCO is dependent on finding appropriate real estate for its growth strategy, which involves adding a net 75-80 stores annually to its store base. Although TSCO is well-funded internally, the difficult economic environment is slowing real estate development and could limit TSCO's growth opportunities.

Other Disclosures:

The information contained in this report is based on sources considered to be reliable, but not guaranteed, to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of this date, and are subject to change without notice. This report has been prepared solely for informative purposes and is not a solicitation or an offer to buy or sell any security. The securities described may not be qualified for purchase in all jurisdictions. Because of individual requirements, advice regarding securities mentioned in this report should not be construed as suitable for all accounts. This report does not take into account the investment objectives, financial situation and needs of any particular client of Feltl and Company. Some securities mentioned herein relate to small speculative companies that may not be suitable for some accounts. Feltl and Company suggests that prior to acting on any of the recommendations herein, the recipient should consider whether such a recommendation is appropriate given their investment objectives and current financial circumstances. Past performance does not guarantee future results. Additional information is available upon request.

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