



# Value Company: Tractor Supply

MARCH 2022	COMPANY HIGHLIGHT	jenseninvestment.com								
<p>Tractor Supply is the largest farm and ranch retailer in the United States, operating over 2,000 stores in 49 states. The company has a unique niche in specialty retailing focused on serving rural lifestyle consumers, tradesmen, and small businesses. Tractor Supply tends to focus on markets that are typically overlooked by “big box” competitors with a product assortment geared towards traditional and hobby farmers.</p>		<table border="1"> <tr> <td data-bbox="1049 569 1218 667">Ticker</td> <td data-bbox="1218 569 1521 667">(TSCO)</td> </tr> <tr> <td data-bbox="1049 667 1218 766">Year Founded</td> <td data-bbox="1218 667 1521 766">1938</td> </tr> <tr> <td data-bbox="1049 766 1218 865">Headquarters</td> <td data-bbox="1218 766 1521 865">Brentwood, Tennessee</td> </tr> <tr> <td data-bbox="1049 865 1218 953">Entered Strategy</td> <td data-bbox="1218 865 1521 953">Q3 2017</td> </tr> </table>	Ticker	(TSCO)	Year Founded	1938	Headquarters	Brentwood, Tennessee	Entered Strategy	Q3 2017
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<p><b>Know What You Own</b></p> <p>We added Tractor Supply (TSCO) to the <a href="#">Jensen Quality Value Strategy</a> in August 2017 due to its attractive valuation and durable business model. Competitive advantages include a differentiated product assortment, loyal customer base and scale benefits over competing “mom-and-pop” retailers. Importantly, the company generates about half its revenue from the sale of “Consumable, Usable and Edible” products such as livestock feed and pest control. This non-discretionary product assortment provides stability during economic downturns and insulation from larger e-commerce threats due to the immediate need and cost to ship.</p> <p>These attributes have led to impressive financial results. Tractor Supply has produced positive sales and earnings growth for over ten consecutive years while maintaining high returns on invested capital and a strong balance sheet. Recently, the business demonstrated resiliency during COVID-19 related disruptions as it was deemed an essential retailer during lockdowns, and it capitalized on consumer home improvement trends.</p> <p>Tractor Supply has an impressive track record of delivering sustainable growth in a highly fragmented market. Over the past few years, the company has benefitted from omnichannel investments and e-commerce initiatives (ex. launched a mobile app, buy online/pick up in store, same/next day delivery), which have increased store traffic and online sales. We expect this trend to continue in the future as the company’s growth strategy has been revitalized under a new CEO, with a focus on digitizing the business, new store expansion and space productivity.</p>										



## Outlook

Tractor Supply is a high-quality company with a track record of strong business performance. Going forward, we forecast mid-single-digit sales growth, double-digit earnings growth and margin expansion driven by improvements in productivity, customer retention and acquisition, and increased market share. We acknowledge near-term headwinds, including product cost inflation, higher labor costs and executive management turnover, but our long-term outlook for the business remains favorable.

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