

TRACTOR SUPPLY CO /DE/  
Form 10-Q  
November 04, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 24, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 000-23314

TRACTOR SUPPLY COMPANY  
(Exact Name of Registrant as Specified in Its Charter)  
Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-3139732  
(I.R.S. Employer Identification No.)

5401 Virginia Way, Brentwood, Tennessee  
(Address of Principal Executive Offices)

37027  
(Zip Code)

Not Applicable  
(Former name, former address and former fiscal year, if changed  
since last report)

(615) 440-4000  
(Registrant's Telephone Number, Including  
Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)  
YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class Outstanding at October 22, 2016  
Common Stock, \$.008 par value 131,249,687



## TRACTOR SUPPLY COMPANY

## INDEX

|   | Page<br>No. |
|---|-------------|
| <u>PART I. Financial Information</u>  | <u>3</u>    |
| <u>Item 1. Financial Statements</u>   | <u>3</u>    |
| <u>Condensed Consolidated Balance Sheets (unaudited) – September 24, 2016, December 26, 2015 and September 26, 2015</u>   | <u>3</u>    |
| <u>Condensed Consolidated Statements of Income (unaudited) – For the Fiscal Three and Nine Months Ended September 24, 2016 and September 26, 2015</u>               | <u>4</u>    |
| <u>Condensed Consolidated Statements of Comprehensive Income (unaudited) – For the Fiscal Three and Nine Months Ended September 24, 2016 and September 26, 2015</u> | <u>5</u>    |
| <u>Condensed Consolidated Statements of Cash Flows (unaudited) – For the Fiscal Nine Months Ended September 24, 2016 and September 26, 2015</u>                     | <u>6</u>    |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u>   | <u>7</u>    |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>  | <u>15</u>   |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>   | <u>25</u>   |
| <u>Item 4. Controls and Procedures</u>  | <u>25</u>   |
| <br>  |             |
| <u>PART II. Other Information</u>   | <u>26</u>   |
| <u>Item 1. Legal Proceedings</u>  | <u>26</u>   |
| <u>Item 1A. Risk Factors</u>  | <u>26</u>   |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>  | <u>26</u>   |
| <u>Item 3. Defaults Upon Senior Securities</u>  | <u>26</u>   |
| <u>Item 4. Mine Safety Disclosures</u>  | <u>26</u>   |
| <u>Item 5. Other Information</u>  | <u>26</u>   |
| <u>Item 6. Exhibits</u>   | <u>26</u>   |
| <u>Signature</u>  | <u>28</u>   |

Index

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## TRACTOR SUPPLY COMPANY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

(Unaudited)

|  | September 24,<br>2016 | December 26,<br>2015 | September 26,<br>2015 |
|--|-----------------------|----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                      |                       |
| Current assets:  |                       |                      |                       |
| Cash and cash equivalents  | \$ 55,507             | \$ 63,813            | \$ 51,352             |
| Inventories  | 1,489,934             | 1,284,375            | 1,414,562             |
| Prepaid expenses and other current assets  | 67,980                | 87,510               | 64,822                |
| Income taxes receivable  | 16,335                | 3,763                | —                     |
| Total current assets   | 1,629,756             | 1,439,461            | 1,530,736             |
| Property and equipment:  |                       |                      |                       |
| Land   | 94,362                | 86,991               | 86,197                |
| Buildings and improvements   | 906,624               | 814,802              | 750,170               |
| Furniture, fixtures and equipment  | 556,276               | 523,383              | 489,088               |
| Computer software and hardware   | 209,218               | 180,020              | 172,443               |
| Construction in progress   | 50,173                | 38,720               | 85,531                |
| Property and equipment, gross  | 1,816,653             | 1,643,916            | 1,583,429             |
| Accumulated depreciation and amortization  | (893,488)             | (796,340)            | (774,772)             |
| Property and equipment, net  | 923,165               | 847,576              | 808,657               |
| Goodwill   | 10,258                | 10,258               | 10,258                |
| Deferred income taxes  | 53,192                | 55,194               | 72,543                |
| Other assets   | 19,362                | 18,337               | 18,392                |
| Total assets   | \$ 2,635,733          | \$ 2,370,826         | \$ 2,440,586          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                       |                      |                       |
| Current liabilities:   |                       |                      |                       |
| Accounts payable   | \$ 484,014            | \$ 427,249           | \$ 527,143            |
| Accrued employee compensation  | 17,625                | 42,684               | 27,449                |
| Other accrued expenses   | 199,327               | 195,024              | 192,335               |
| Current portion of long-term debt  | 10,000                | —                    | —                     |
| Current portion of capital lease obligations   | 1,294                 | 878                  | 540                   |
| Income taxes payable   | —                     | 5,449                | 18,255                |
| Total current liabilities  | 712,260               | 671,284              | 765,722               |
| Long-term debt   | 283,781               | 150,000              | 190,000               |
| Capital lease obligations, less current maturities   | 26,246                | 16,992               | 10,746                |
| Deferred rent  | 91,681                | 84,793               | 82,905                |
| Other long-term liabilities  | 57,025                | 54,463               | 53,953                |
| Total liabilities  | 1,170,993             | 977,532              | 1,103,326             |
| Stockholders' equity:  |                       |                      |                       |
| Preferred stock, \$1.00 par value; 40 shares authorized; no shares issued  | —                     | —                    | —                     |
| Common stock, \$0.008 par value; 400,000 shares authorized at<br>September 24, 2016, December 26, 2015 and September 26, 2015;<br>169,859, 168,974 and 168,830 shares issued; 132,428, 134,224 and | 1,359                 | 1,352                | 1,351                 |

Edgar Filing: TRACTOR SUPPLY CO /DE/ - Form 10-Q

134,645 shares outstanding at September 24, 2016, December 26, 2015  
and September 26, 2015, respectively

|  |              |              |              |
|--|--------------|--------------|--------------|
| Additional paid-in capital   | 661,665      | 596,131      | 576,175      |
| Treasury stock – at cost, 37,431, 34,750 and 34,185 shares at September 24, 2016, December 26, 2015 and September 26, 2015, respectively | (1,645,482 ) | (1,429,790 ) | (1,381,041 ) |
| Accumulated other comprehensive loss   | (1,111 )     | —            | —            |
| Retained earnings  | 2,448,309    | 2,225,601    | 2,140,775    |
| Total stockholders' equity   | 1,464,740    | 1,393,294    | 1,337,260    |
| Total liabilities and stockholders' equity   | \$ 2,635,733 | \$ 2,370,826 | \$ 2,440,586 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Page 3

---

IndexTRACTOR SUPPLY COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

(Unaudited)

|   | For the Fiscal Three<br>Months Ended |                       | For the Fiscal Nine<br>Months Ended |                       |
|---|--------------------------------------|-----------------------|-------------------------------------|-----------------------|
|   | September 26,<br>2016                | September 26,<br>2015 | September 26,<br>2016               | September 26,<br>2015 |
| Net sales                                       | \$ 1,542,706                         | \$ 1,475,645          | \$ 4,863,037                        | \$ 4,579,897          |
| Cost of merchandise sold                        | 1,007,432                            | 963,397               | 3,184,097                           | 2,997,724             |
| Gross profit                                    | 535,274                              | 512,248               | 1,678,940                           | 1,582,173             |
| Selling, general and administrative expenses    | 357,592                              | 342,891               | 1,076,180                           | 1,014,209             |
| Depreciation and amortization                   | 35,662                               | 30,149                | 103,296                             | 90,744                |
| Operating income                                | 142,020                              | 139,208               | 499,464                             | 477,220               |
| Interest expense, net                           | 1,110                                | 782                   | 4,145                               | 2,480                 |
| Income before income taxes                      | 140,910                              | 138,426               | 495,319                             | 474,740               |
| Income tax expense                              | 51,466                               | 51,114                | 181,782                             | 176,057               |
| Net income                                      | \$ 89,444                            | \$ 87,312             | \$ 313,537                          | \$ 298,683            |
| Net income per share – basic                    | \$ 0.67                              | \$ 0.64               | \$ 2.35                             | \$ 2.20               |
| Net income per share – diluted                  | \$ 0.67                              | \$ 0.64               | \$ 2.33                             | \$ 2.18               |
| Weighted average shares outstanding:            |                                      |                       |                                     |                       |
| Basic   | 133,392                              | 135,525               | 133,529                             | 135,997               |
| Diluted   | 134,256                              | 136,741               | 134,509                             | 137,292               |
| Dividends declared per common share outstanding | \$ 0.24                              | \$ 0.20               | \$ 0.68                             | \$ 0.56               |

The accompanying notes are an integral part of these condensed consolidated financial statements.

IndexTRACTOR SUPPLY COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

|  | For the Fiscal Three<br>Months Ended |                       | For the Fiscal Nine<br>Months Ended |                       |
|--|--------------------------------------|-----------------------|-------------------------------------|-----------------------|
|  | September 26,<br>2016                | September 26,<br>2015 | September 26,<br>2016               | September 26,<br>2015 |
| Net income   | \$89,444                             | \$ 87,312             | \$313,537                           | \$ 298,683            |
| Other comprehensive income (loss):                       |                                      |                       |                                     |                       |
| Change in fair value of interest rate swap, net of taxes | 251                                  | —                     | (1,111 )                            | —                     |
| Total other comprehensive income (loss)                  | 251                                  | —                     | (1,111 )                            | —                     |
| Total comprehensive income                               | \$89,695                             | \$ 87,312             | \$312,426                           | \$ 298,683            |

The accompanying notes are an integral part of these condensed consolidated financial statements.

IndexTRACTOR SUPPLY COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

|   | For the Fiscal Nine Months Ended<br>September 24,<br>2016 | September 26,<br>2015 |
|---|---|-----------------------|
| Cash flows from operating activities:   |   |                       |
| Net income  | \$ 313,537  | \$ 298,683            |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |                       |
| Depreciation and amortization   | 103,296   | 90,744                |
| Loss on disposition of property and equipment                                     | 219   | 115                   |
| Share-based compensation expense  | 17,326  | 14,837                |
| Excess tax benefit of stock options exercised                                     | (11,637)  | (16,994)              |
| Deferred income taxes   | 2,002   | (22,799)              |
| Change in assets and liabilities:   |   |                       |
| Inventories   | (205,559)   | (299,112)             |
| Prepaid expenses and other current assets   | 19,530  | 1,622                 |
| Accounts payable  | 56,765  | 156,320               |
| Accrued employee compensation   | (25,059)  | (9,607)               |
| Other accrued expenses  | 2,626   | 882                   |
| Income taxes  | (6,384)   | 22,813                |
| Other   | 7,336   | 5,950                 |
| Net cash provided by operating activities   | 273,998   | 243,454               |
| Cash flows from investing activities:   |   |                       |
| Capital expenditures  | (167,161)   | (163,468)             |
| Proceeds from sale of property and equipment                                      | 366   | 371                   |
| Net cash used in investing activities   | (166,795)   | (163,097)             |



Cash flows from  
financing activities:  
Borrowings under  
senior credit facility

695,000

525,000