

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

TRACTOR SUPPLY CO /DE/
Form 10-Q
November 09, 2006

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 30, 2006

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

13-3139732

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

200 Powell Place, Brentwood, Tennessee

37027

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (615) 366-4600

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 X NO

Indicate by check mark whether the registrant is a large accelerated filer, an
accelerated filer, or a non-accelerated filer. See definition of "accelerated
filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check
one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in

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

Rule 12b-2 of the Exchange Act).

YES NO X

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 28, 2006
-----	-----
Common Stock, \$.008 par value	40,252,955

TRACTOR SUPPLY COMPANY

INDEX

Page No.

Part I. Financial Information:

Item 1. Financial Statements:

Consolidated Balance Sheets - September 30, 2006 and December 31, 2005.....	3
Consolidated Statements of Income - For the Fiscal Three and Nine Months Ended September 30, 2006 and September 24, 2005.....	4
Consolidated Statements of Cash Flows - For the Fiscal Nine Months Ended September 30, 2006 and September 24, 2005.....	5
Notes to Unaudited Consolidated Financial Statements....	6-11

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12-17
---	-------

Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	17
--	----

Item 4. Controls and Procedures.....	18
--------------------------------------	----

Part II. Other Information:

Item 1. Legal Proceedings.....	19
Item 1A. Risk Factors.....	19
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....	19
Item 3. Default upon Senior Securities.....	19
Item 4. Submission of Matters to a Vote of Security Holders.....	19
Item 5. Other Information.....	19
Item 6. Exhibits.....	19

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

Signature

19

Page 2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRACTOR SUPPLY COMPANY CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	SEPT. 30 2006	
		(UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 26,18	
Inventories.....	605,71	
Prepaid expenses and other current assets.....	36,70	
Deferred income taxes.....	8,02	
Total current assets.....	676,61	
Property and equipment:		
Land.....	20,02	
Buildings and improvements.....	239,98	
Furniture, fixtures and equipment.....	140,64	
Computer software and hardware.....	36,01	
Construction in progress.....	11,46	
	448,14	
Accumulated depreciation and amortization.....	(164,28)	
Property and equipment, net.....	283,86	
Goodwill.....	10,41	
Deferred income taxes.....	10,66	
Other assets.....	6,70	
Total assets.....	\$ 988,26	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 241,67	
Other accrued expenses.....	104,85	
Current portion of capital lease obligations.....	1,27	
Income taxes currently payable.....	1,04	
Total current liabilities.....	348,84	
Revolving credit loan.....	31,10	
Capital lease obligations, less current maturities.....	2,68	
Straight line rent liability.....	22,56	
Other long-term liabilities.....	18,03	

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

Total liabilities.....	423,24
Stockholders' equity:	
Preferred stock, 40,000 shares authorized; \$1.00 par value; no shares issued.....	-
Common stock, 100,000 shares authorized; \$0.008 par value; 40,233,325 and	
39,433,449 shares issued and outstanding in 2006 and 2005 respectively.....	32
Additional paid-in capital.....	124,89
Other comprehensive loss.....	(5
Retained earnings.....	439,85
Total stockholders' equity.....	565,02
Total liabilities and stockholders' equity.....	\$ 988,26

The accompanying notes are an integral part of this statement.

Page 3

TRACTOR SUPPLY COMPANY CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FOR THE FISCAL THREE MONTHS ENDED		FOR THE FISCAL NINE MONTHS ENDED	
	SEPT. 30, 2006	SEPT. 24, 2005	SEPT. 30, 2006	SEPT. 24, 2005
	(UNAUDITED)		(UNAUDITED)	
Net sales	\$559,222	\$479,607	\$1,739,714	\$1,470,045
Cost of sales	382,882	332,702	1,193,618	1,021,313
Gross profit	176,340	146,905	546,096	448,732
Selling, general and administrative expenses	136,520	109,073	415,400	337,131
Depreciation and amortization	10,717	8,893	30,920	24,604
Income from operations	29,103	28,939	99,776	86,997
Interest expense, net	385	189	1,939	1,090
Income before income taxes	28,718	28,750	97,837	85,907
Income tax expense	10,659	10,421	36,326	31,140
Net income	\$ 18,059	\$ 18,329	\$ 61,511	\$ 54,767
Net income per share - basic	\$ 0.45	\$ 0.47	\$ 1.54	\$ 1.41
Net income per share - diluted	\$ 0.44	\$ 0.45	\$ 1.50	\$ 1.34

The accompanying notes are an integral part of this statement.

Page 4

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

TRACTOR SUPPLY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE NINE MONTHS ENDED SEPT. 30, 2006 (UNAUDITED)
Cash flows from operating activities:	
Net income	\$ 61,511
Tax benefit of stock options exercised	--
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	30,920
Gain on sale of property and equipment	(190)
Stock compensation expense	6,843
Deferred income taxes	(78)
Change in assets and liabilities:	
Inventories	(144,965)
Prepaid expenses and other current assets	968
Accounts payable	56,276
Accrued expenses	1,837
Income taxes currently payable	(377)
Other	6,512
Net cash provided by operating activities	19,257
Cash flows from investing activities:	
Capital expenditures	(58,513)
Proceeds from sale of property and equipment	5,071
Other	(746)
Net cash used in investing activities	(54,188)
Cash flows from financing activities:	
Borrowings under revolving credit agreement	301,114
Repayments under revolving credit agreement	(278,221)
Tax benefit of stock options exercised	9,002
Principal payments under capital lease obligations	(933)
Net proceeds from issuance of common stock	8,946
Net cash provided by (used in) financing activities	39,908
Net increase (decrease) in cash and cash equivalents	4,977
Cash and cash equivalents at beginning of period	21,203
Cash and cash equivalents at end of period	\$ 26,180
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the period for:	
Interest	\$ 2,169
Income taxes	26,672
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:	
Equipment acquired through capital leases	1,461

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

The accompanying notes are an integral part of this statement.

Page 5

TRACTOR SUPPLY COMPANY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. The results of operations for the fiscal three-month and nine-month periods are not necessarily indicative of results for the full fiscal year.

The Company's business is highly seasonal. Historically, the Company's sales and profits have been the highest in the second and fourth fiscal quarters of each year due to the sale of seasonal products. Unseasonable weather, excessive rain, drought, and early or late frosts may also affect the Company's sales. The Company believes, however, that the impact of adverse weather conditions is somewhat mitigated by the geographic dispersion of its stores.

The Company experiences its highest inventory and accounts payable balances during its first fiscal quarter each year for purchases of seasonal product in anticipation of the spring selling season and again during its third fiscal quarter in anticipation of the winter selling season.

NOTE 2 - INVENTORIES:

The value of the Company's inventories was determined using the lower of last-in, first-out (LIFO) cost or market. Inventories are not in excess of market value. Quarterly inventory determinations under LIFO are based on assumptions as to projected inventory levels at the end of the fiscal year, sales for the year and the rate of inflation/deflation for the year. If the first-in, first-out (FIFO) method of accounting for inventory had been used, inventories would have been approximately \$17,537,000 and \$14,168,000 higher than reported at September 30, 2006 and December 31, 2005, respectively.

During the third quarter, the Company refined its method of estimating the freight cost component of inventory based on changes in its business and operating environment which included a change in mix of goods, increased import activity and rapidly increasing fuel costs. This refinement provides a more appropriate matching of freight cost incurred with inventory and cost of sales. The change in estimate increased the inventory value and reduced cost of sales by approximately \$3.2 million, or \$.05 per diluted share, for the three and nine months ended September 30, 2006.

NOTE 3 - GOODWILL AND INTANGIBLE ASSETS:

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

For the nine months ended September 30, 2006, the Company reduced goodwill by \$2.0 million resulting from the determination that this amount related to acquired intangible assets, primarily the trade name of DEL'S FARM SUPPLY. The intangible assets are included in other assets in the accompanying consolidated balance sheets. During the current year, a final evaluation of the intangible assets was obtained and the Company increased the value assigned to the intangible assets based on the evaluation. The weighted average estimated life of the intangible assets is approximately 18.2 years. The Company recognized \$0.4 million in amortization expense related to intangible assets during the nine months ended September 30, 2006.

NOTE 4 - SHARE-BASED PAYMENTS:

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment" ("SFAS 123(R)") using the modified prospective method and began recognizing compensation expense for its share-based payments based on the fair value of the awards. Share-based payments include stock

Page 6

option grants and certain transactions under the Company's stock plans. SFAS 123(R) requires share-based compensation expense recognized since January 1, 2006 to be based on the following: a) grant date fair value estimated in accordance with the original provisions of SFAS 123 for unvested options granted prior to the adoption date; b) grant date fair value estimated in accordance with the provisions of SFAS 123(R) for all share-based payments granted subsequent to the adoption date; and c) the discount on shares sold to employees subsequent to the adoption date, which represents the difference between the grant date fair value and the employee purchase price.

For the three and nine months ended September 30, 2006, the adoption of SFAS 123(R)'s fair value method resulted in share-based expense (a component of selling and general and administrative expenses) related to the Company's stock plans that the Company would not have recognized if it had continued to account for share-based compensation under APB 25 (as defined below). For the three and nine months ended September 30, 2006, this share-based compensation lowered pre-tax earnings by \$2.4 million and \$6.8 million, lowered net income by \$1.5 million and \$4.3 million, and lowered basic and diluted earnings per share by \$0.04 and \$0.10, respectively. SFAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow, as required prior to adoption of SFAS 123(R). The impact of adopting SFAS 123(R) on future results will depend on, among other matters, levels of share-based payments granted in the future, actual forfeiture rates and the timing of option exercises.

Prior to January 1, 2006, the Company accounted for share-based payments using the intrinsic-value-based recognition method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25"). As options were granted at an exercise price equal to the market value of the underlying common stock on the date of grant, no stock-based employee compensation cost was reflected in net income prior to adopting SFAS 123(R). As the Company adopted SFAS 123(R) under the modified-prospective-transition method, results from prior periods have not been restated.

The following table illustrates the effect on net income and earnings per share as if the Company applied the fair value recognition provisions of SFAS 123 to options granted under the Company's stock plans in all periods presented (in thousands). For purposes of this pro forma disclosure, the value of the options

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

is estimated using a modified Black-Scholes option pricing model for all option grants.

	THREE MONTHS ENDED SEPTEMBER 24, 2005 -----	NINE MONTHS ENDED SEPTEMBER 24, 2005 -----
Net income - as reported	\$18,329	\$54,767
Pro forma compensation expense, net of income taxes ...	(981)	(2,982)
	-----	-----
Net income- pro forma	\$17,348	\$51,785
	=====	=====
Net income per share - basic:		
As reported	\$ 0.47	\$ 1.41
Pro forma	\$ 0.44	\$ 1.33
Net income per share - diluted:		
As reported	\$ 0.45	\$ 1.34
Pro forma	\$ 0.42	\$ 1.27

Under SFAS 123(R), forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate. Under SFAS 123 and APB 25, the Company elected to account for forfeitures at the time of valuation and reduce the pro-forma expense ratably over the period.

Effective May 4, 2006, the Company adopted the 2006 Stock Incentive Plan replacing the 2000 Stock Incentive Plan. Following the adoption of the 2006 Stock Incentive Plan, no further grants may be made under the 2000 Stock Incentive Plan.

Under the Company's 2006 Stock Incentive Plan, options may be granted to officers, directors (including non-employee directors) and employees. According to the terms of the plan, the per share exercise price of options granted shall not be less than the fair market value of the stock on the date of grant and such options will expire no later than ten years from the date of grant. In the case of a stockholder owning more than 10% of the outstanding

Page 7

voting stock of the Company, the exercise price of an incentive stock option may not be less than 110% of the fair market value of the stock on the date of grant and such options will expire no later than five years from the date of grant. Also, the aggregate fair market value of the stock with respect to which incentive stock options are exercisable on a tax deferred basis for the first time by an individual in any calendar year may not exceed \$100,000. Vesting of options commences at various anniversary dates following the dates of grant.

Under the terms of the 2006 Stock Incentive Plan, a maximum of 2,750,000 shares are available for grant as stock options or other awards. At September 30, 2006, the Company had 2,731,520 shares available for future equity awards under the Company's 2006 Stock Incentive Plan.

The fair value of each option grant is separately estimated for each vesting date. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the award and each vesting date. The Company has estimated the fair value of all stock option awards as of the

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

date of the grant by applying a modified Black-Scholes pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. The weighted average for key assumptions used in determining the fair value of options granted in the nine months ended September 30, 2006 and September 24, 2005 and a summary of the methodology applied to develop each assumption are as follows:

	NINE MONTHS ENDED	
	-----	-----
	SEPT. 30, 2006	SEPT. 24, 2005
	-----	-----
Expected price volatility.....	47.5%	47.8%
Risk-free interest rate.....	4.6%	3.9%
Weighted average expected lives in years...	7.3	7.1
Forfeiture rate.....	8.0%	22.1%
Dividend yield.....	0.0%	0.0%

EXPECTED PRICE VOLATILITY -- This is a measure of the amount by which a price has fluctuated or is expected to fluctuate. The Company uses actual historical changes in the market value of its stock to calculate expected price volatility because management believes that this is the best indicator of future volatility. Prior to the third quarter of fiscal 2006, the Company calculated weekly market value changes from the date of grant over a past period representative of the expected life of the options to determine volatility. Beginning in the third quarter of 2006, the Company calculated daily market value changes from the date of grant over a past period representative of the expected life of the options to determine volatility. An increase in the expected volatility will increase compensation expense.

RISK-FREE INTEREST RATE -- This is the U.S. Treasury rate for the week of the grant having a term equal to the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

WEIGHTED AVERAGE EXPECTED LIVES -- This is the period of time over which the options granted are expected to remain outstanding and is based on historical experience. Options granted have a maximum term of ten years. An increase in the expected life will increase compensation expense.

FORFEITURE RATE -- This is the estimated percentage of options granted that are expected to be forfeited or cancelled before becoming fully vested. This estimate is based on historical experience. An increase in the forfeiture rate will decrease compensation expense.

DIVIDEND YIELD --- The Company has not made any dividend payments nor does it have plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease compensation expense.

The Company issues new shares for restricted shares and when options are exercised. A summary of stock option activity since the Company's most recent fiscal year-end is as follows:

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

	OPTIONS	AVERAGE EXERCISE PRICE	REMAINING CONTRACTUAL TERM	INTRINSIC VALUE (IN THOUSANDS)
Outstanding December 31, 2005	2,773,278	\$18.30		
Granted	493,980	61.32		
Exercised	(772,986)	9.80		
Cancelled	(63,534)	42.38		
Outstanding September 30, 2006	2,430,738	\$29.04	6.4	\$54,334
Vested or expected to vest at September 30, 2006	2,286,122	\$28.14	6.7	\$75,986
Exercisable at September 30, 2006...	1,426,141	\$14.62	5.0	\$48,806

The aggregate intrinsic values in the table above represents the total difference between the Company's closing stock price on September 30, 2006 and the option exercise price, multiplied by the number of in-the-money options as of September 30, 2006. As of September 30, 2006, total unrecognized compensation expense related to non-vested stock options is \$17,914,000 with a weighted average expense recognition period of 2.5 years.

Other information relative to option activity during the nine months ended September 30, 2006 and September 24, 2005 is as follows (in thousands, except per share amounts):

	SEPT. 30, 2006	SEPT. 24, 2005
Weighted average grant date fair value of stock options granted.....	\$ 34.32	\$ 20.15
Total fair value of stock options vested.....	\$ 5,417	\$ 7,602
Total intrinsic value of stock options exercised...	\$36,005	\$37,844

RESTRICTED STOCK - The Company has issued 2,480 restricted shares under the 2006 Stock Incentive Plan. The shares vest over a one-year term. The status of the Company's non-vested shares as of September 30, 2006 is presented below:

NON-VESTED SHARES	SHARES	GRANT DATE FAIR VALUE
Non-vested at December 31, 2005....	--	\$ --
Granted.....	2,480	64.45
Vested.....	--	--
Forfeited.....	--	--
Non-vested at September 30, 2006...	2,480	\$64.45

EMPLOYEE STOCK PURCHASE PLAN - The Company has adopted an Employee Stock Purchase Plan (the "ESPP") whereby eligible employees of the Company have the opportunity to purchase, through payroll deductions, shares of common stock of the Company at a 15% discount. Pursuant to the terms of the ESPP, the Company issued 8,389 shares during the third quarter of fiscal 2006. The total cost to the Company related to the ESPP, including the compensation expense calculation under SFAS 123(R), was approximately \$90,000 and \$319,000 during the three and nine months ended September 30, 2006, respectively. At September 30, 2006, 3,357,521 shares of common stock were reserved for future issuance under the ESPP.

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

There were no significant modifications to the Company's share-based compensation plans during the nine months ended September 30, 2006 (provided that, as noted above, the Company adopted its 2006 Stock Incentive Plan in replacement of its 2000 Stock Incentive Plan, effective May 4, 2006).

Page 9

NOTE 5 - NET INCOME PER SHARE:

The Company presents both basic and diluted earning per share ("EPS") on the face of the consolidated statements of income. As provided by SFAS 128 "Earnings per Share", basic EPS is calculated as income available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted EPS is calculated using the weighted average outstanding common shares and the treasury stock method for options and warrants.

Net income per share is calculated as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED SEPTEMBER 30, 2006			THREE MONTHS ENDED SEPTEMBER 24, 2005		
	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
BASIC NET INCOME PER SHARE:						
Net income.....	\$18,059	40,135	\$ 0.45	\$18,329	39,236	\$ 0.47
Dilutive stock options outstanding..		953	(0.01)		1,798	(0.02)
DILUTED NET INCOME PER SHARE:						
Net income.....	\$18,059	41,088	\$ 0.44	\$18,329	41,034	\$ 0.45

	NINE MONTHS ENDED SEPTEMBER 30, 2006			NINE MONTHS ENDED SEPTEMBER 24, 2005		
	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
BASIC NET INCOME PER SHARE:						
Net income.....	\$61,511	39,933	\$ 1.54	\$54,767	38,942	\$ 1.41
Dilutive stock options outstanding..		1,132	(0.04)		1,960	(0.07)
DILUTED NET INCOME PER SHARE:						
Net income.....	\$61,511	41,065	\$ 1.50	\$54,767	40,902	\$ 1.34

NOTE 6 - GIFT CARDS:

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

The Company has a gift card program and, additionally, issues merchandise return cards for certain return transactions. The gift cards do not expire and the merchandise return cards expire after one year. As such, the Company recognizes a benefit when: (i) the gift card or merchandise return card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer is remote (referred to as "breakage") or (iii) upon expiration of the unredeemed merchandise returns cards. The gift card breakage rate is based upon historical redemption patterns and a benefit is recognized for unredeemed gift cards in proportion to those historical redemption patterns. Any benefit associated with an unredeemed merchandise return card is recognized upon expiration (one year after issuance). The Company recognized a benefit of \$0.6 million and \$1.9 million in the three and nine months ended September 30, 2006, respectively. Of the \$1.9 million recognized in the nine months ended September 30, 2006, \$1.7 million (or \$0.03 per diluted share) was due to a modification of the redemption assumptions based on an analysis of historical redemption patterns. This benefit has been included as a reduction in selling, general, and administrative expenses and is reflected as a reduction of other accrued expenses in the accompanying balance sheet.

Page 10

NOTE 7 - CONTINGENCIES:

LITIGATION

The Company is involved in various litigation matters arising in the ordinary course of business. After consultation with legal counsel, management expects these matters will be resolved without material adverse effect on the Company's consolidated financial position or results of operations. Any estimated loss related to such matters has been provided in accrued liabilities to the extent probable and reasonably estimable. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in circumstances relating to these proceedings.

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS:

In March 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)", which allows companies to adopt a policy of presenting taxes in the income statement on either a gross or net basis. Taxes within the scope of this EITF would include taxes that are imposed on a revenue transaction between a seller and a customer, for example, sales taxes, use taxes, value-added taxes, and some types of excise taxes. EITF 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. EITF 06-3 will not impact the method for recording and reporting these sales taxes in the Company's consolidated financial statements as the Company's policy is to exclude all such taxes from revenue.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold should be measured in order to determine the tax benefit to be

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

recognized in the financial statements. FIN 48 is effective in fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its consolidated financial statements.

In September 2006, the FASB issued Statement No. 157, FAIR VALUE MEASUREMENTS ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (fiscal year 2008 for the Company), and interim periods within those fiscal years. The Company is currently evaluating the impact that the adoption of SFAS 157 will have on its consolidated financial statements.

Page 11

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion and analysis describe certain factors affecting Tractor Supply Company (the "Company"), its results of operations for the fiscal three-month and nine-month periods ended September 30, 2006 and September 24, 2005 and significant developments affecting its financial condition since the end of the fiscal year, December 31, 2005, and should be read in conjunction with the Company's Annual Report on Form 10-K. The following discussion and analysis also contain certain historical and forward-looking information. The forward-looking statements included herein are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act"). All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including their amount and nature), business strategy, expansion and growth of the Company's business operations and other such matters are forward-looking statements. To take advantage of the safe harbor provided by the Act, the Company has identified herein and in the Company's other filings with the Securities and Exchange Commission certain factors that could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by or on behalf of the Company.

The Company's business is highly seasonal. Historically, the Company's sales and profits have been the highest in the second and fourth fiscal quarters of each year due to the sale of seasonal products. Unseasonable weather, excessive rain, drought, and early or late frosts may also affect the Company's sales. The Company believes, however, that the impact of adverse weather conditions is somewhat mitigated by the geographic dispersion of its stores.

The Company experiences its highest inventory and accounts payable balances during its first fiscal quarter each year for purchases of seasonal product in anticipation of the spring selling season and again during its third fiscal quarter in anticipation of the winter selling season.

As with any business, all phases of the Company's operations are subject to influences outside its control. The information in this Quarterly Report on Form 10-Q contains certain forward-looking statements, including statements regarding estimated results of operations in future periods. These forward-looking statements are subject to the safe harbor provisions of the Act, and may be affected by certain risks and uncertainties, any one, or a combination, of which

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

could materially affect the results of the Company's operations. These factors include general economic cycles affecting consumer spending, weather factors, operating factors affecting customer satisfaction, consumer debt levels, inflation, pricing and other competitive factors, the ability to attract, train and retain qualified employees, the ability to manage growth and identify suitable locations and negotiate favorable lease agreements on new and relocated stores, the timing and acceptance of new products in the stores, the mix of goods sold, the continued availability of favorable credit sources, capital market conditions in general, the ability to increase sales at existing stores, the ability to retain vendors, the risk of product liability and other claims, reliance on foreign suppliers, the ability to maintain and improve the Company's management information systems and the seasonality of the Company's business. We discuss in greater detail risk factors relating to the Company in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. Forward-looking statements made by or on behalf of the Company are based on our knowledge of the Company's business and the environment in which it operates, but because of the factors listed above, actual results could differ materially from those reflected by any forward-looking statements. Consequently, all of the forward-looking statements made are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business and operations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Page 12

RESULTS OF OPERATIONS

Fiscal Three Months (Third Quarter) and Nine Months Ended September 30, 2006 and September 24, 2005

Net sales increased 16.6% to \$559.2 million for the third quarter of 2006 from \$479.6 million for the third quarter of 2005. Net sales increased 18.3% to \$1,739.7 million for the first nine months of fiscal 2006 from \$1,470.0 million for the first nine months of fiscal 2005.

The net sales increase for the third quarter and nine months ended September 30, 2006 resulted primarily from the addition of new stores, successful store relocations, and same-store sales improvement of 2.4% and 2.0%, respectively. The Company's same-store sales improvements were strongest in the clothing/footwear and equine/pet/animal categories, but were partially offset by lower than expected performance in seasonal power equipment and generators. A summary of store openings, relocations and closings is as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 30, 2006	SEPT. 24, 2005	SEPT. 30, 2006	SEPT. 24, 2005
Beginning of period.....	641	547	595	515
Opened.....	18	15	64	47
Closed.....	(1)	--	(1)	--
	---	---	---	---
End of period.....	658	562	658	562
	===	===	===	===

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

Relocations..... 4 8 15 12

The following table indicates the percentage of sales represented by each of the Company's major product categories during the third quarter and first nine months of fiscal 2006 and 2005:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 30, 2006	SEPT. 24, 2005	SEPT. 30, 2006	SEPT. 24, 2005
Equine, Pet and Animal.....	34%	32%	33%	32%
Seasonal Products.....	21	22	23	24
Hardware and Tools.....	17	18	17	17
Truck/Trailer/Tow/Lube.....	13	14	12	12
Maintenance products for agriculture and rural use...	8	8	8	9
Clothing and Footwear.....	7	6	7	6
	---	---	---	---
Total.....	100%	100%	100%	100%
	===	===	===	===

Gross profit for the third quarter and the first nine months of fiscal 2006 was \$176.3 million and \$546.1 million, respectively. This represents an increase of 20.0% and 21.7%, respectively, over the comparable periods of the prior year. This increase is primarily attributable to the increase in sales described above. Gross profit, as a percent of sales, was 31.5% for the third quarter of fiscal 2006, compared to 30.6% for the comparable period in fiscal 2005. For the first nine months of 2006, the gross profit rate was 31.4%, compared to 30.5% for the comparable period in fiscal 2005. This improvement in the gross profit rate reflects a more favorable product mix, increased importing, and improvement in inventory shrinkage, offset partially by higher freight costs.

During the third quarter, the Company refined its method of estimating the freight cost component of inventory based on changes in its business and operating environment which included a change in mix of goods, increased import activity and rapidly increasing fuel costs. This refinement provides a more appropriate matching of freight cost incurred with inventory and cost of sales. The change in estimate increased the inventory value and reduced cost of sales by approximately \$3.2 million, or \$.05 per share, for the three and nine months ended September 30, 2006.

As a percent of net sales, selling, general and administrative ("SG&A") expenses increased 170 basis points to 24.4% of sales in the third quarter of fiscal 2006 from 22.7% of sales in the third quarter of fiscal 2005. SG&A expenses increased 100 basis points to 23.9% of sales in the first nine months of fiscal 2006 from 22.9% of sales in the first

Page 13

nine months of fiscal 2005. The loss in leverage relates primarily to continued expansion of the store base and resulting higher personnel and occupancy costs. Additionally, the Company recognized approximately \$2.4 million and \$6.8 million of stock compensation expense for the third quarter and first nine months of 2006, respectively.

The Company has a gift card program and, additionally, issues merchandise return cards for certain return transactions. The gift cards do not expire and the merchandise return cards expire after one year. As such, the Company recognizes a benefit when: (i) the gift card or merchandise return card is redeemed by the

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

customer; or (ii) the likelihood of the gift card being redeemed by the customer is remote (referred to as "breakage") or (iii) upon expiration of the unredeemed merchandise returns cards. The gift card breakage rate is based upon historical redemption patterns and a benefit is recognized for unredeemed gift cards in proportion to those historical redemption patterns. Any benefit associated with an unredeemed merchandise return card is recognized upon expiration (one year after issuance). The Company recognized a benefit of \$0.6 million and \$1.9 million in the three and nine months ended September 30, 2006, respectively. Of the \$1.9 million recognized in the nine months ended September 30, 2006, \$1.7 million (or \$0.03 per diluted share) was due to a modification of the redemption assumptions based on an analysis of historical redemption patterns. This benefit has been included as a reduction in selling, general, and administrative expenses and is reflected as a reduction of other accrued expenses in the accompanying balance sheet.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment" ("SFAS 123(R)") using its modified prospective method and began recognizing compensation expense for its share-based payments based on the fair value of the awards. Share-based payments include stock option grants and certain transactions under the Company's other stock plans. SFAS 123(R) requires share-based compensation expense recognized since January 1, 2006 to be based on the following: a) grant date fair value estimated in accordance with the original provisions of SFAS 123 for unvested options granted prior to the adoption date; b) grant date fair value estimated in accordance with the provisions of SFAS 123(R) for all share-based payments granted subsequent to the adoption date; and c) the discount on shares sold to employees post-adoption, which represents the difference between the grant date fair value and the employee purchase price.

For the three and nine months ended September 30, 2006, the adoption of SFAS 123(R)'s fair value method resulted in additional compensation expense (a component of selling and general and administrative expenses) related to the Company's stock plans that the Company would not have recognized if it had continued to account for share-based compensation under APB 25. For the three and nine months ended September 30, 2006, this share-based compensation lowered pre-tax earnings by \$2.4 million and \$6.8 million, lowered net income by \$1.5 million and \$4.3 million, and lowered basic and diluted earnings per share by \$0.04 and \$0.10, respectively. As of September 30, 2006, total unrecognized compensation expense related to non-vested stock options is \$17.9 million with a weighted average expense recognition period of 2.5 years. SFAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required prior to adoption of SFAS 123(R). The impact of adopting SFAS 123(R) on future results will depend on, among other matters, levels of share-based payments granted in the future, actual forfeiture rates and the timing of option exercises.

Depreciation and amortization expense in the third quarter of 2006 remained consistent at 1.9% of sales compared to the third quarter of 2005. Depreciation and amortization expense increased 10 basis points to 1.8% of sales in the first nine months of fiscal 2006 compared to the prior year due mainly to costs associated with new and relocated stores and investment in additional distribution center capacity.

Net interest expense was \$0.4 and \$1.9 million for the third quarter and first nine months of fiscal 2006, respectively, compared to \$0.2 million and \$1.1 million, respectively, for the third quarter and first nine months of fiscal 2005. The Company's financing activities and liquidity are discussed in the LIQUIDITY AND CAPITAL RESOURCES section below.

The Company's effective tax rate increased to 37.1% in both the third quarter and first nine months of fiscal 2006 compared with 36.2% in both the third

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

quarter and first nine months of fiscal 2005, respectively, primarily due to permanent tax differences relating to stock compensation expense.

Page 14

LIQUIDITY AND CAPITAL RESOURCES

In addition to normal operating expenses, the Company's primary ongoing cash requirements are for expansion, remodeling and relocation programs, including inventory purchases and capital expenditures. The Company's primary ongoing sources of liquidity are funds provided from operations, commitments available under its revolving credit agreement and normal trade credit. The Company's inventory and accounts payable levels typically build in the first and third fiscal quarters in anticipation of the spring and winter selling seasons.

At September 30, 2006, the Company had working capital of \$327.8 million, an \$87.1 million increase from December 31, 2005. This increase is primarily attributable to changes in the following components of current assets and current liabilities (in millions):

	SEPT. 30, 2006	DEC. 31, 2005	CHANGE
	-----	-----	-----
Current assets:			
Cash and cash equivalents	\$ 26.2	\$ 21.2	\$ 5.0
Inventories	605.7	460.8	144.9
Prepaid expenses and other current assets	36.7	38.4	(1.7)
Other, net	8.0	11.0	(3.0)
	-----	-----	-----
	676.6	531.4	145.2
	-----	-----	-----
Current liabilities:			
Accounts payable	241.7	185.4	56.3
Accrued expenses	104.9	102.8	2.1
Income taxes payable	1.0	1.4	(0.4)
Current portion of capital lease obligations ..	1.2	1.1	0.1
	-----	-----	-----
	348.8	290.7	58.1
	-----	-----	-----
Working capital	\$327.8	\$240.7	\$ 87.1
	=====	=====	=====

Operations provided net cash of \$19.3 million and \$53.3 million in the first nine months of fiscal 2006 and 2005, respectively. The \$34.0 million decrease in net cash provided in fiscal 2006 over fiscal 2005 is primarily due to changes in the following operating activities (in millions):

	FOR THE FISCAL NINE MONTHS ENDED	

	SEPT. 30, 2006	SEPT. 24, 2005
	-----	-----
		CHANGE

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

Net income	\$ 61.5	\$ 54.8	\$ 6.7
Tax benefit of stock options exercised	--	10.4	(10.4)
Stock compensation expense	6.8	--	6.8
Depreciation and amortization	30.9	24.6	6.3
Deferred income taxes	--	(12.1)	12.1
Inventories and accounts payable	(88.7)	(25.3)	(63.4)
Accrued expenses	1.8	1.7	0.1
Other, net	7.0	(0.8)	7.8
	-----	-----	-----
Net cash provided by operations	\$ 19.3	\$ 53.3	\$ (34.0)
	=====	=====	=====

The decrease in net cash provided by operations in the first nine months of 2006 compared with the first nine months of 2005 was primarily due to the growth in inventory levels, partially offset by the timing of payments. The increase in inventories and related increase in accounts payable resulted primarily from the purchase of inventory for new stores (which are typically larger than the historical store formats) and the addition of inventory due to a new (larger) distribution center in Waverly, Nebraska. The Company has also increased inventory levels in many stores as the result of certain merchandising initiatives as well as to achieve a better overall in-stock position at the store level. The Company experienced a slight decrease in year-to-date inventory turns resulting in a decrease in financed inventory from approximately 45% to 39%. Trade credit arises from the Company's vendors granting extended payment terms

Page 15

for inventory purchases. Payment terms generally vary from 30 days to 180 days depending on the inventory product. The increase in accrued expenses was primarily due to the timing of the accruals and the related payment of those accruals in their respective periods.

Investing activities used \$54.2 million and \$50.8 million in the first nine months of fiscal 2006 and fiscal 2005, respectively. The majority of this cash requirement relates to the Company's capital expenditures. Capital expenditures (including equipment acquired under capital lease) for the first nine months of fiscal 2006 and 2005 were as follows (in millions):

	2006	2005
	-----	-----
New/relocated stores and stores not yet opened	\$39.1	\$28.1
Existing stores	16.3	11.4
Distribution center capacity and improvements	1.9	12.0
Information technology	2.6	2.3
Corporate and other	0.1	0.6
	-----	-----
	\$60.0	\$54.4
	=====	=====

The above table reflects 79 new/relocated stores in 2006, compared to 59 during the first nine months of 2005.

Financing activities provided \$39.9 million and used \$5.8 million in the first nine months of fiscal 2006 and fiscal 2005, respectively, largely due to increased borrowings resulting from higher inventory levels, new and relocated stores and decreased cash flow from operations, partially offset by proceeds received from the issuance of common stock received upon exercise of stock

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

options and purchases under the employee stock purchase plan. The Company had approximately \$96.0 million and \$109.7 million available for future borrowings, net of outstanding letters of credit, under its revolving credit agreement at September 30, 2006 and September 24, 2005, respectively.

The Company believes that its cash flow from operations, borrowings available under its revolving credit agreement, and normal trade credit will be sufficient to fund the Company's operations and its capital expenditure needs, including store openings and renovations, over the next several years.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's off-balance sheet arrangements are limited to operating leases and outstanding letters of credit. Leasing buildings and equipment for retail stores and offices rather than acquiring these significant assets allows the Company to utilize financial capital to operate the business rather than maintain assets. Letters of credit allow the Company to purchase inventory in a timely manner.

The Company had outstanding letters of credit of \$27.9 million at September 30, 2006 and \$25.3 at September 24, 2005.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of the Company's financial position and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make informed estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company's significant accounting policies, including areas of critical management judgments and estimates, have primary impact on the following financial statement areas:

- | | |
|------------------------|---------------------|
| - Inventory valuation | - Self insurance |
| - Sales returns | - Sales tax reserve |
| - Share-based payments | |

The Company's critical accounting policies are subject to judgments and uncertainties which affect the application of such policies. See Notes 1 and 15 to the Notes to the consolidated financial statements of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for a discussion of the Company's critical

Page 16

accounting policies. As a result of the required adoption of SFAS 123(R) in the current year, we have determined that the accounting for share-based payments represents a critical accounting policy. See the disclosure of the Company's adoption and related key assumptions in Note 4 to the accompanying notes to consolidated financial statements. As a result of current conditions within the sales tax environment, the Company has determined that its sales tax reserve is an area involving critical management judgments and estimates. For a further discussion see Note 15 to the Notes to the consolidated financial statements of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. The Company's financial position and/or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event

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

estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changes in interest rates primarily from its revolving credit agreement (the "Credit Agreement"). The Credit Agreement bears interest at either the bank's base rate (8.25% and 6.75% at September 30, 2006 and September 24, 2005, respectively) or LIBOR (6.08% and 4.55% at September 30, 2006 and September 24, 2005, respectively), plus an additional amount ranging from 0.75% to 1.50% per annum, adjusted quarterly, based on Company performance (0.75% at September 30, 2006 and September 24, 2005). The Company is also required to pay, quarterly in arrears, a commitment fee ranging from 0.20% to 0.35% based on the daily average unused portion of the Credit Agreement. See Note 4 of Notes to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for further discussion regarding the Credit Agreement.

Although the Company cannot accurately determine the precise effect of inflation on its operations, it believes its sales and results of operations have been affected by inflation. The Company is subject to market risk with respect to the pricing of certain products and services, which include, among other items, petroleum, steel, corn, soybean, and other commodities as well as transportation services. If prices of these materials and/or services continue to increase, consumer demand may fall and/or the Company may not be able to pass all such increases on to its customers and, as a result, sales and/or gross margins could decline. The Company's strategy is to reduce or mitigate the effects of inflation principally by taking advantage of vendor incentive programs, economies of scale from increased volume of purchases, increasing retail prices and selectively buying from the most competitive vendors without sacrificing quality. Due to the competitive environment, such conditions have and may continue to adversely impact the Company's gross margin.

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

As of September 30, 2006, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective, as of September 30, 2006, for recording, processing, reporting and summarization of the information that the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934 within the time periods specified in the Commission's rules and forms. These controls and procedures ensure that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2006 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various litigation matters arising in the ordinary course of business. After consultation with legal counsel, management expects these matters will be resolved without material adverse effect on the Company's consolidated financial position or results of operations. Any estimated loss related to such matters has been adequately provided in accrued liabilities to the extent probable and reasonably estimable. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in circumstances relating to these proceedings.

ITEM 1A. RISK FACTORS

None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits

- 31.1 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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

Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRACTOR SUPPLY COMPANY

Date: November 9, 2006

By: /s/ Anthony F. Crudele

Anthony F. Crudele
Senior Vice President - Chief
Financial Officer and Treasurer
(Duly Authorized Officer and
Principal Financial Officer)

Page 18