TRACTOR SUPPLY CO /DE/
Form 10-Q
August 05, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 27, 2015
or
o 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.)
5401 Virginia Way, Brentwood, Tennessee	37027
(Address of Principal Executive Offices)	(Zip Code)
Not Applicable	(615) 440-4000
(Former name, former address and former fiscal year, if changed since last report)	(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 þ NO o
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 þ NO o
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	þ	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)
YES o NO þ
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 July 25, 2015

Common Stock, $.008 par value	135,819,050

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
TRACTOR SUPPLY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(Unaudited)

	June 27, 2015	December 27, 2014	June 28, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$56,317	$51,134	$55,965
Inventories	1,293,146	1,115,450	1,154,585
Prepaid expenses and other current assets	62,039	66,444	48,120
Deferred income taxes	38,005	40,962	25,515
Total current assets	1,449,507	1,273,990	1,284,185
Property and equipment:			
Land	84,391	79,571	75,843
Buildings and improvements	723,455	698,462	607,030
Furniture, fixtures and equipment	474,975	453,692	427,024
Computer software and hardware	166,684	154,818	156,674
Construction in progress	74,245	30,803	84,049
	1,523,750	1,417,346	1,350,620
Accumulated depreciation and amortization	(754,847)	(696,346)	(657,233)
Property and equipment, net	768,903	721,000	693,387
Goodwill	10,258	10,258	10,258
Deferred income taxes	22,975	8,782	17,395
Other assets	19,627	20,541	20,303
Total assets	$2,271,270	$2,034,571	$2,025,528
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$452,669	$370,823	$390,170
Accrued employee compensation	28,910	37,056	21,158
Other accrued expenses	185,631	182,565	144,360
Current portion of capital lease obligations	441	213	125
Income taxes payable	77,950	12,436	73,174
Total current liabilities	745,601	603,093	628,987
Capital lease obligations, less current maturities	8,652	4,957	3,078
Deferred rent	81,446	79,807	77,864
Other long-term liabilities	52,124	53,153	49,674
Total liabilities	887,823	741,010	759,603
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 June 27, 2015, December 27, 2014 and June 28, 2014; 168,638, 167,716 and 166,881 shares issued; 135,831, 136,382 and 137,989 shares outstanding at June 27, 2015, December 27, 2014 and June 28, 2014,	1,349	1,342	1,335

respectively			
Additional paid-in capital	563,096	510,997	476,742
Treasury stock – at cost, 32,807, 31,334 and 28,892 shares at June 27, 2015, December 27, 2014 and June 28, 2014, respectively	(1,261,625)	(1,137,085)	(985,585)
Retained earnings	2,080,627	1,918,307	1,773,433
Total stockholders' equity	1,383,447	1,293,561	1,265,925
Total liabilities and stockholders' equity	$2,271,270	$2,034,571	$2,025,528

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

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TRACTOR SUPPLY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	For the Fiscal Three Months Ended		For the Fiscal Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net sales	$1,772,900	$1,583,831	$3,104,252	$2,767,511
Cost of merchandise sold	1,147,580	1,033,299	2,034,327	1,820,760
Gross profit	625,320	550,532	1,069,925	946,751
Selling, general and administrative expenses	349,842	311,589	671,318	601,859
Depreciation and amortization	30,313	27,914	60,595	55,134
Operating income	245,165	211,029	338,012	289,758
Interest expense, net	832	308	1,698	762
Income before income taxes	244,333	210,721	336,314	288,996
Income tax expense	91,002	77,310	124,943	106,776
Net income	$153,331	$133,411	$211,371	$182,220
Net income per share – basic	$1.13	$0.96	$1.55	$1.31
Net income per share – diluted	$1.12	$0.95	$1.54	$1.30
Weighted average shares outstanding:				
Basic	136,120	138,394	136,233	138,756
Diluted	137,400	140,110	137,567	140,571
Dividends declared per common share outstanding	$0.20	$0.16	$0.36	$0.29

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

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TRACTOR SUPPLY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the Fiscal Six Months Ended	
	June 27, 2015	June 28, 2014
Cash flows from operating activities:		
Net income	$211,371	$182,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,595	55,134
Gain on disposition of property and equipment	(15)	(68)
Share-based compensation expense	9,835	8,118
Excess tax benefit of stock options exercised	(12,900)	(4,171)
Deferred income taxes	(11,236)	(12,980)
Change in assets and liabilities:		
Inventories	(177,696)	(175,277)
Prepaid expenses and other current assets	4,405	9,239
Accounts payable	81,846	73,683
Accrued employee compensation	(8,146)	(29,415)
Other accrued expenses	(4,533)	(10,742)
Income taxes payable	78,414	67,921
Other	1,475	2,842
Net cash provided by operating activities	233,415	166,504
Cash flows from investing activities:		
Capital expenditures	(97,014)	(82,114)
Proceeds from sale of property and equipment	301	166
Net cash used in investing activities	(96,713)	(81,948)
Cash flows from financing activities:		
Borrowings under revolving credit agreement	180,000	110,000
Repayments under revolving credit agreement	(180,000)	(110,000)
Excess tax benefit of stock options exercised	12,900	4,171
Principal payments under capital lease obligations	(199)	(27)
Repurchase of shares to satisfy tax obligations	(1,095)	(1,211)
Repurchase of common stock	(124,540)	(146,997)
Net proceeds from issuance of common stock	30,466	13,000
Cash dividends paid to stockholders	(49,051)	(40,270)
Net cash used in financing activities	(131,519)	(171,334)
Net change in cash and cash equivalents	5,183	(86,778)
Cash and cash equivalents at beginning of period	51,134	142,743
Cash and cash equivalents at end of period	$56,317	$55,965
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$694	$360
Income taxes	57,367	51,306
Supplemental disclosures of non-cash activities:		
Property acquired through capital lease	$4,122	$1,988
Non-cash accruals for construction in progress	22,442	7,745

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

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TRACTOR SUPPLY COMPANY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General:

Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by U.S. GAAP 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 our Annual Report on Form 10-K for the fiscal year ended December 27, 2014. The results of operations for our interim periods are not necessarily indicative of results for the full fiscal year.

Nature of Business

Tractor Supply Company (the “Company”) is the largest operator of rural lifestyle retail stores in the United States. The Company is focused on supplying the needs of recreational farmers and ranchers and those who enjoy the rural lifestyle, as well as tradesmen and small businesses. Stores are located in towns outlying major metropolitan markets and in rural communities. At June 27, 2015, the Company operated a total of 1,438 retail stores in 49 states and also offered a number of products online at TractorSupply.com.

Note 2 – Fair Value of Financial Instruments:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company’s financial instruments consist of cash and cash equivalents, short-term receivables, trade payables and long-term debt instruments. Due to their short-term nature, the carrying values of cash and cash equivalents, short-term receivables and trade payables approximate current fair value at each balance sheet date. The Company had no borrowings under the Senior Credit Facility (as defined in Note 5) at June 27, 2015, December 27, 2014, or June 28, 2014, respectively.

Note 3 – Share-Based Compensation:

Share-based compensation includes stock option and restricted stock unit awards and certain transactions under our Employee Stock Purchase Plan (the “ESPP”). Share-based compensation expense is recognized based on grant date fair value of all options and restricted stock unit awards plus a discount on shares purchased by employees as a part of the ESPP.

There were no significant modifications to the Company’s share-based compensation plans during the fiscal six months ended June 27, 2015.

For the second quarters of fiscal 2015 and 2014, share-based compensation expense was $4.8 million and $4.2 million, respectively and $9.8 million and $8.1 million for the first six months of fiscal 2015 and 2014, respectively.

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Stock Options

The following summarizes information concerning stock option grants during the first six months of fiscal 2015 and 2014:

	Fiscal six months ended	
	June 27, 2015	June 28, 2014
Stock options granted	1,025,356	1,117,089
Weighted average exercise price	$83.23	$63.89
Weighted average fair value per option	$19.43	$15.33

As of June 27, 2015, total unrecognized compensation expense related to non-vested stock options was approximately $27.8 million with a remaining weighted average expense recognition period of 1.5 years.

Restricted Stock Units

The following summarizes information concerning restricted stock unit grants during the first six months of fiscal 2015 and 2014:

	Fiscal six months ended	
	June 27, 2015	June 28, 2014
Restricted stock units granted	50,473	56,650
Weighted average fair value per share	$84.02	$64.52

As of June 27, 2015, total unrecognized compensation expense related to non-vested restricted stock units was approximately $8.3 million with a remaining weighted average expense recognition period of 2.4 years.

Note 4 - Net Income Per Share:

The Company presents both basic and diluted net income per share on the face of the unaudited condensed consolidated statements of income. Basic net income per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average diluted shares outstanding. Dilutive shares are computed using the treasury stock method for stock options and restricted stock units. Net income per share is calculated as follows (in thousands, except per share amounts):

	Fiscal three months ended June 27, 2015			Fiscal three months ended June 28, 2014		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic net income per share:						
Net income	$153,331	136,120	$1.13	$133,411	138,394	$0.96
Diluted net income per share:						
Dilutive stock options and restricted stock units outstanding	—	1,280	(0.01)	—	1,716	(0.01)
Net income	$153,331	137,400	$1.12	$133,411	140,110	$0.95

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	Fiscal six months ended June 27, 2015			Fiscal six months ended June 28, 2014		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic net income per share:						
Net income	$211,371	136,233	$1.55	$182,220	138,756	$1.31
Diluted net income per share:						
Dilutive stock options and restricted stock units outstanding	—	1,334	(0.01)	—	1,815	(0.01)
Net income	$211,371	137,567	$1.54	$182,220	140,571	$1.30

Anti-dilutive stock options excluded from the above calculations totaled approximately 1.0 million and 1.4 million shares for the three months ended June 27, 2015 and June 28, 2014, respectively, and 0.8 million and 0.9 million shares for the six months ended June 27, 2015 and June 28, 2014, respectively.

Note 5 – Senior Credit Facility:

The Company has entered into a Credit Agreement, dated as of October 24, 2011, as amended on May 16, 2014, with certain lenders and Bank of America, N.A., as administrative agent for the lenders (the "Senior Credit Facility"). The Senior Credit Facility provides for borrowings up to $400 million (with a sublimit of $30 million for swingline loans). This agreement is unsecured and matures in October 2016, with proceeds available to be used for working capital, capital expenditures, dividends, share repurchases and other matters. The Company had no outstanding borrowings under the Senior Credit Facility at June 27, 2015, December 27, 2014, or June 28, 2014. There were $57.4 million, $40.7 million, and $70.9 million outstanding letters of credit under the Senior Credit Facility as of June 27, 2015, December 27, 2014, and June 28, 2014, respectively. Borrowings bear interest at either the bank's base rate (3.25% at June 27, 2015) or the London Inter-Bank Offer Rate ("LIBOR") (0.19% at June 27, 2015) plus an additional amount ranging from 0.40% to 1.00% per annum (0.40% at June 27, 2015), adjusted quarterly based on our leverage ratio. The Company is also required to pay, quarterly in arrears, a commitment fee for unused capacity ranging from 0.08% to 0.20% per annum (0.08% at June 27, 2015), adjusted quarterly based on the Company's leverage ratio. The agreement requires quarterly compliance with respect to fixed charge coverage and leverage ratios. As of June 27, 2015, the Company was in compliance with all debt covenants.

Note 6 – Treasury Stock:

The Company's Board of Directors has authorized common stock repurchases under a share repurchase program of up to $2 billion, exclusive of any fees, commissions, or other expenses related to such repurchases, through December 2017. The repurchases may be made from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased under the program will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability, and other market conditions. Repurchased shares are accounted for at cost and will be held in treasury for future issuance. The program may be limited or terminated at any time without prior notice.

The Company repurchased 0.9 million and 1.0 million shares of common stock under the share repurchase program for a total cost of $76.6 million and $62.5 million during the second quarters of fiscal 2015 and fiscal 2014, respectively. During the first six months of 2015 and 2014, the Company repurchased 1.5 million and 2.2 million shares under the share repurchase program for a total cost of $124.5 million and $147.0 million, respectively. As of June 27, 2015, the Company had remaining authorization under the share repurchase program of $738.8 million, exclusive of any fees, commissions, or other expenses.

Note 7 – Capital Stock and Dividends:

Capital Stock

The authorized capital stock of the Company consists of common stock and preferred stock. The Company is authorized to issue 400 million shares of common stock. The Company is also authorized to issue 40,000 shares of preferred stock, with such designations, rights and preferences as may be determined from time to time by the Board of Directors.

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Dividends

During the first six months of fiscal 2015 and 2014, the Board of Directors declared the following cash dividends:

Date Declared	Dividend Amount Per Share	Stockholders of Record Date	Date Paid
May 4, 2015	$0.20	May 18, 2015	June 2, 2015
February 4, 2015	$0.16	February 23, 2015	March 10, 2015
April 30, 2014	$0.16	May 19, 2014	June 3, 2014
February 5, 2014	$0.13	February 24, 2014	March 11, 2014

It is the present intention of the Board of Directors to continue to pay a quarterly cash dividend; however, the declaration and payment of future dividends will be determined by the Board of Directors in its sole discretion and will depend upon the earnings, financial condition, and capital needs of the Company, along with other factors which the Board of Directors deems relevant.

On August 3, 2015, the Company's Board of Directors declared a quarterly cash dividend of $0.20 per share of the Company's common stock. The dividend will be paid on September 1, 2015 to stockholders of record as of the close of business on August 17, 2015.

Note 8 – Income Taxes:

The Company's effective income tax rate increased to 37.2% in the second quarter of fiscal 2015 compared to 36.7% for the second quarter of fiscal 2014. For the first six months of fiscal 2015, our effective income tax rate increased to 37.2% compared to 36.9% for the first six months of fiscal 2014. The increase in the effective income tax rate was due principally to the availability of state tax incentives in the prior year.

Note 9 – Commitments and Contingencies:

Construction and Real Estate Commitments

At June 27, 2015, the Company had contractual commitments related to the construction of its new distribution center in Casa Grande, Arizona of approximately $13.3 million and the development of two smaller cross-dock facilities ("mixing centers") in Texas for approximately $3.0 million.

Letters of Credit

At June 27, 2015, there were $57.4 million outstanding letters of credit under the Senior Credit Facility.

Litigation

The Company responded to a Request for Information from the United States Environmental Protection Agency ("EPA") in the first quarter of fiscal 2009 relating to certain recreational vehicles and non-road spark ignition engines sold by the Company. In the first quarter of fiscal 2011, the Environmental Enforcement Section of the Department of Justice ("DOJ"), on behalf of the EPA, informed the Company that it believed the Company had violated the Clean Air Act by importing or causing the importation of certain engines that were noncompliant, and that unless the DOJ and the Company were able to reach a settlement, the DOJ was prepared to commence a civil action. The engines were purchased by the Company pursuant to agreements with vendors under which the vendors represented that their products complied with all applicable laws and regulations and under which the vendors agreed to indemnify the Company for any liabilities or costs relating to, among other matters, the noncompliance or alleged noncompliance of their products. The Company notified these vendors of the EPA's position and has worked with these vendors to provide additional information to the DOJ and EPA regarding the alleged violations. As a result of this process, the Company believes it has provided evidence that many of the products identified by the DOJ and EPA in early 2011 were, in fact, in compliance with the Clean Air Act and that most of the remaining issues relate to products purchased from one vendor. The vendor of these products and the Company are engaged in settlement discussions with the DOJ and EPA that would call for the payment of a civil penalty by, and certain injunctive relief against, the Company. The Company does not expect the resolution of this matter to have a material adverse effect on its financial condition, results of operations or cash flows. The Company does not believe it is reasonably possible that a loss in excess of the amount accrued will be incurred.

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The Company is also involved in various litigation matters arising in the ordinary course of business. The Company believes that any estimated loss related to such matters has been adequately provided in accrued liabilities to the extent probable and reasonably estimable. Accordingly, the Company currently expects these matters will be resolved without material adverse effect on its consolidated financial position, results of operations or cash flows.

Note 10 – Segment Reporting:

The Company has one reportable segment which is the retail sale of products that support the rural lifestyle. The Company manages the business on the basis of one operating segment. The following chart indicates the percentage of sales represented by each major product category during the fiscal three and six months ended June 27, 2015 and June 28, 2014:

	Fiscal three months ended				Fiscal six months ended			
	June 27, 2015		June 28, 2014		June 27, 2015		June 28, 2014	
Product Category:								
Livestock and Pet	41	%	41	%	44	%	45	%
Seasonal, Gift and Toy Products	25		24		22		21	
Hardware, Tools and Truck	22		22		22		22	
Agriculture	7		7		5		5	
Clothing and Footwear	5		6		7		7	
Total	100	%	100	%	100	%	100	%

Note 11 – New Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. On July 9, 2015, the FASB approved a one-year deferral of ASU 2014-09. As a result of the deferral, the amendments in ASU 2014-09 are effective for reporting periods beginning after December 15, 2017. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 will have on our Condensed Consolidated Financial Statements and related disclosures, including which transition method it will adopt.

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

General

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 27, 2014. This Form 10-Q also contains 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 we expect or anticipate will or may occur in the future, including such things as sales and earnings growth, estimated results of operations in future periods, the declaration and payment of dividends, future capital expenditures (including their amount and nature), business strategy, expansion and growth of our business operations and other such matters are forward-looking statements. These forward-looking statements may be affected by certain risks and uncertainties, any one, or a combination of which, could materially affect the results of our operations. To take advantage of the safe harbor provided by the Act, we are identifying certain factors that could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written.

As with any business, many aspects of our operations are subject to influences outside our control. These factors include, without limitation, general economic conditions affecting consumer spending, the timing and acceptance of new products in the stores, the timing and mix of goods sold, purchase price volatility (including inflationary and deflationary pressures), the ability to increase sales at existing stores, the ability to manage growth and identify suitable locations, failure of an acquisition to produce anticipated results, the ability to successfully manage expenses and execute our key gross margin enhancing initiatives, the availability of favorable credit sources, capital market conditions in general, the ability to open new stores in the manner and number currently contemplated, the impact of new stores on our business, competition, weather conditions, the seasonal nature of our business, effective merchandising initiatives and marketing emphasis, the ability to retain vendors, reliance on foreign suppliers, the ability to attract, train and retain qualified employees, product liability and other claims, changes in federal, state or local regulations, potential judgments, fines, legal fees and other costs, breach of information systems or theft of employee or customer data, ongoing and potential future legal or regulatory proceedings, management of our information systems, failure to develop and implement new technologies, the failure of customer-facing technology systems, business disruption including from the implementation of supply chain technologies, effective tax rate changes and results of examination by taxing authorities, the ability to maintain an effective system of internal control over financial reporting, changes in accounting standards, assumptions and estimates. We discuss in greater detail risk factors relating to our business in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 27, 2014. Forward-looking statements are based on our knowledge of our business and the environment in which we operate, but because of the factors listed above or other factors, 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 will be realized or, even if substantially realized, that they will have the expected consequences to or effects on our business and operations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no 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.

Seasonality and Weather

Our business is seasonal. Historically, our sales and profits are the highest in the second and fourth fiscal quarters due to the sale of seasonal products. We experience our highest inventory and accounts payable balances during our first fiscal quarter for purchases of seasonal products to support the higher sales volume of the spring selling season and again during our third fiscal quarter to support the higher sales volume of the cold-weather selling season.

Historically, weather conditions, including unseasonably warm weather in the fall and winter months and unseasonably cool weather in the spring and summer months, have affected the timing and volume of our sales and results of operations. In addition, extreme weather conditions, including snow and ice storms, flood and wind damage, hurricanes, tornadoes, extreme rain and droughts, have impacted operating results both negatively and positively, depending on the severity and length of these conditions. Our strategy is to manage product flow and adjust merchandise assortments and depth of inventory to capitalize on seasonal demand trends.

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Comparable Store Sales

Comparable store sales are calculated on an annual basis using sales generated from all stores open at least one year and all online sales and exclude certain adjustments to net sales. Beginning in fiscal 2015, stores closed during either of the years being compared are removed from our comparable stores sales metrics calculations. Stores relocated during either of the years being compared are not removed from our comparable store sales metrics calculations. If the effect of relocated stores on our comparable store sales metrics calculations becomes material, we would remove relocated stores from the calculations.

Results of Operations

Fiscal Three Months (Second Quarter) Ended June 27, 2015 and June 28, 2014
Net sales increased 11.9% to $1.77 billion for the second quarter of fiscal 2015 from $1.58 billion for the second quarter of fiscal 2014. Comparable store sales for the second quarter of fiscal 2015 were $1.68 billion, a 5.6% increase over the second quarter of fiscal 2014. This compares to a 1.9% comparable store sales increase for the second quarter of fiscal 2014.

The second quarter 2015 comparable store sales increase was broad based and driven by increases in both traffic and ticket. Comparable store transaction count increased 4.2% and average ticket increased 1.3%. The comparable store sales increase benefited from a solid performance in seasonal items, including big ticket, and consumable, usable and edible (“C.U.E.”) products. Seasonal and big ticket items included riding lawn mowers and trailers. C.U.E. was driven principally by strong sales in pet and animal categories. These increases were partially offset by deflation.

In addition to comparable store sales growth in the second quarter of fiscal 2015, sales from stores opened less than one year were $102.2 million in the second quarter of fiscal 2015, which represented 6.5 percentage points of the 11.9% increase over second quarter fiscal 2014 net sales. For the second quarter of fiscal 2014, sales from stores opened less than one year were $100.3 million, which represented 6.9 percentage points of the 8.8% increase over second quarter fiscal 2013 net sales.

The following chart summarizes our store growth for the fiscal three months ended June 27, 2015 and June 28, 2014:

	Fiscal three months ended	
	June 27, 2015	June 28, 2014
Store Count, Beginning of Period	1,422	1,308
New Stores Opened	17	23
Stores Closed	(1)	—
Store Count, End of Period	1,438	1,331
Stores Relocated	2	1

The following chart indicates the percentage of sales represented by each of our major product categories for the fiscal three months ended June 27, 2015 and June 28, 2014:

	Fiscal three months ended	
	June 27, 2015	June 28, 2014
Product Category:		
Livestock and Pet	41 %	41 %
Seasonal, Gift and Toy Products	25	24
Hardware, Tools and Truck	22	22
Agriculture	7	7
Clothing and Footwear	5	6

Total	100 %	100 %

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Gross profit increased 13.6% to $625.3 million for the second quarter of fiscal 2015 from $550.5 million in the second quarter of fiscal 2014. As a percent of sales, gross margin increased 50 basis points to 35.3% from 34.8% in the prior year. The increase in gross margin resulted from strong price and markdown management, as well as lower fuel costs. These favorable items were offset in part by a change in mix to more big ticket items, which typically run below chain average margin.

As a percent of sales, selling, general and administrative ("SG&A") expenses, including depreciation and amortization, were essentially flat at 21.4% in the second quarter of fiscal 2015. Higher year-over-year incentive compensation, incremental store payroll hours to support sales initiatives, and slightly higher new store operating costs were offset by improved leverage of advertising costs and certain other fixed operating costs, due to the strong comparable sales growth. Total SG&A expenses increased 12.0% to $380.2 million from $339.5 million in the second quarter of fiscal 2014. This increase is due primarily to new store growth.

The effective income tax rate increased to 37.2% in the second quarter of fiscal 2015 compared to 36.7% for the second quarter of fiscal 2014 due principally to the availability of state tax incentives in the prior year. The Company expects the full fiscal year 2015 effective tax rate will be approximately 37.0%.

As a result of the foregoing factors, net income for the second quarter of fiscal 2015 increased 14.9% to $153.3 million or $1.12 per diluted share, as compared to net income of $133.4 million, or $0.95 per diluted share, for the second quarter of fiscal 2014.

Fiscal Six Months Ended June 27, 2015 and June 28, 2014

Net sales increased 12.2% to $3.10 billion for the first six months of fiscal 2015 from $2.77 billion for the first six months of fiscal 2014. Comparable store sales for the first six months of fiscal 2015 were $2.93 billion, a 5.7% increase over the first six months of fiscal 2014. This compares to a 2.0% comparable store sales increase for the first six months of fiscal 2014. For the first six months of fiscal 2015, the comparable store sales increase was driven by growth in traffic counts and continued strong results in key C.U.E. products, principally animal-and pet-related merchandise. Seasonal and hardline categories such as riding lawn mowers, fencing, trailers and tools also performed well. Comparable store sales were unfavorably impacted by deflation.

In addition to comparable store sales growth in the first six months of fiscal 2015, sales from stores opened less than one year were $184.5 million for the first six months of fiscal 2015, which represented 6.7 percentage points of the 12.2% increase over total first six months fiscal 2014 net sales. Sales from stores opened less than one year were $173.7 million for the first six months of fiscal 2014, which represented 6.8 percentage points of the 8.9% increase over total first six months fiscal 2013 net sales.

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The following chart summarizes our store growth for the fiscal six months ended June 27, 2015 and June 28, 2014:

	Fiscal six months ended	
	June 27, 2015	June 28, 2014
Store Count, Beginning of Period	1,382	1,276
New Stores Opened	58	55
Stores Closed	(2)	—
Store Count, End of Period	1,438	1,331
Stores Relocated	3	1

The following chart indicates the percentage of sales represented by each of our major product categories for the fiscal six months ended June 27, 2015 and June 28, 2014:

	Fiscal six months ended	
	June 27, 2015	June 28, 2014
Product Category:		
Livestock and Pet	44 %	45 %
Seasonal, Gift and Toy Products	22	21
Hardware, Tools and Truck	22	22
Clothing and Footwear	7	7
Agriculture	5	5
Total	100 %	100 %

Gross profit increased 13.0% to $1.07 billion for the first six months of fiscal 2015 from $946.8 million in the first six months of fiscal 2014. As a percent of sales, gross margin increased 30 basis points to 34.5% for the first six months of fiscal 2015 compared to 34.2% for the comparable period in fiscal 2014. The increase in gross margin reflects solid retail price and markdown management along with the favorable impact of deflation. Transportation costs also had a favorable impact on gross margin as lower fuel costs more than offset the increased stem miles caused by our western store expansion.

As a percent of sales, SG&A expenses, including depreciation and amortization, improved 10 basis points to 23.6% in the first six months of fiscal 2015 from 23.7% in the first six months of fiscal 2014. Higher year-over-year incentive compensation was offset by improved leverage of advertising costs, as well as certain other fixed operating costs, due to the strong comparable sales growth. Total SG&A expenses increased 11.4% to $731.9 million from $657.0 million in the first six months of fiscal 2014. The increase in SG&A expense primarily reflects new store growth.

For the first six months of fiscal 2015, the effective income tax rate increased slightly to 37.2% compared to 36.9% for the first six months of fiscal 2014. The increase in the effective income tax rate was due principally to the availability of state tax incentives in the prior year. The Company expects the full year 2015 effective tax rate will be approximately 37.0%.

As a result of the foregoing factors, net income for the first six months of fiscal 2015 increased 16.0% to $211.4 million compared to $182.2 million in the first six months of fiscal 2014. Net income per diluted share for the first six months of fiscal 2015 increased to $1.54 from $1.30 in the first six months of fiscal 2014.

Liquidity and Capital Resources

In addition to normal operating expenses, our primary ongoing cash requirements are for new store expansion, remodeling and relocation programs, distribution center capacity and improvements, information technology, inventory purchases, share repurchases and cash dividends. Our primary ongoing sources of liquidity are existing cash balances, funds provided from operations, borrowings available under our Senior Credit Facility, capital and operating leases and normal trade credit. Our inventory and accounts payable levels typically build in the first and third fiscal quarters to support the higher sales volume of the spring and cold-weather selling seasons, respectively.

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Working Capital

At June 27, 2015, the Company had working capital of $703.9 million, which increased $33.0 million from December 27, 2014 and increased $48.7 million from June 28, 2014. The shifts in working capital were attributable to changes in the following components of current assets and current liabilities (in millions):

	June 27, 2015	December 27, 2014	Variance	June 28, 2014	Variance
Current assets:					
Cash and cash equivalents	$56.3	$51.1	$5.2	$56.0	$0.3
Inventories	1,293.2	1,115.5	177.7	1,154.6	138.6
Prepaid expenses and other current assets	62.0	66.4	(4.4)	48.1	13.9
Deferred income taxes	38.0	41.0	(3.0)	25.5	12.5
	1,449.5	1,274.0	175.5	1,284.2	165.3
Current liabilities:					
Accounts payable	452.7	370.8	81.9	390.2	62.5
Accrued employee compensation	28.9	37.1	(8.2)	21.1	7.8
Other accrued expenses	185.6	182.6	3.0	144.4	41.2
Current portion of capital lease obligation	0.4	0.2	0.2	0.1	0.3
Income taxes payable	78.0	12.4	65.6	73.2	4.8
	745.6	603.1	142.5	629.0	116.6
Working capital	$703.9	$670.9	$33.0	$655.2	$48.7

In comparison to December 27, 2014, working capital as of June 27, 2015 was impacted most significantly by changes in our inventories, accounts payable and income taxes payable.

- The increase in inventories and accounts payable resulted primarily from the purchase of additional inventory to support new store growth and from an increase in average store inventory due to normal seasonal patterns.
- The increase in income taxes payable is due to higher taxable income and the timing of tax payments.

In comparison to June 28, 2014, working capital as of June 27, 2015 was impacted most significantly by changes in our inventories, accounts payable and other accrued expenses.

- The increase in inventories and accounts payable resulted primarily from the purchase of additional inventory to support new store growth. Average store inventory has increased due to early delivery of certain products to better position ourselves for the fall selling season, as well as strategic purchases in categories with strong year-to-date comparable sales performance.
- The increase in other accrued expenses primarily relates to the timing of construction and other accruals.

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Operating Activities

Operating activities provided net cash of $233.4 million and $166.5 million in the first six months of fiscal 2015 and fiscal 2014, respectively. The $66.9 million increase in net cash provided by operating activities in the first six months of fiscal 2015 compared to the first six months of fiscal 2014 is due to changes in the following operating activities (in millions):

	Fiscal six months ended		
	June 27, 2015	June 28, 2014	Variance
Net income	$211.4	$182.2	$29.2
Depreciation and amortization	60.6	55.1	5.5
Share-based compensation expense	9.8	8.1	1.7
Excess tax benefit of stock options exercised	(12.9)	(4.2)	(8.7)
Deferred income taxes	(11.2)	(13.0)	1.8
Inventories and accounts payable	(95.9)	(101.6)	5.7
Prepaid expenses and other current assets	4.4	9.2	(4.8)
Accrued expenses	(12.7)	(40.1)	27.4
Income taxes payable	78.4	67.9	10.5
Other, net	1.5	2.9	(1.4)
Net cash provided by operating activities	$233.4	$166.5	$66.9

The $66.9 million increase in net cash provided by operating activities in the first six months of fiscal 2015 compared with the first six months of fiscal 2014 resulted from incremental profitability as well as the net change in accrued expenses due principally to the timing of payments and an increase in accruals for incentive compensation.

Investing Activities

Investing activities used cash of $96.7 million and $81.9 million in the first six months of fiscal 2015 and fiscal 2014, respectively. The increase in cash used for investing activities primarily reflects an increase in capital expenditures. Capital expenditures for the first six months of fiscal 2015 and fiscal 2014 were as follows (in millions):

	Fiscal six months ended	
	June 27, 2015	June 28, 2014
Distribution center capacity and improvements	$40.2	$0.9
New and relocated stores and stores not yet opened	37.0	39.6
Information technology	12.1	12.1
Existing stores	7.1	8.7
Corporate and other	0.6	20.8
Total capital expenditures	$97.0	$82.1

The above table reflects 58 new stores in the first six months of fiscal 2015, compared to 55 new stores during the first six months of fiscal 2014. We expect to open 110 to 115 new stores during fiscal 2015 compared to 107 new stores in fiscal 2014. The increase in spending on distribution center capacity and improvements in the first six months of fiscal 2015 compared to the first six months of fiscal 2014 is primarily due to the construction of our new Casa Grande, Arizona distribution center, which is expected to open in late fiscal 2015. The decrease in spending on corporate and other in the first six months of fiscal 2015 compared to the first six months of fiscal 2014 relates to the construction of our new Store Support Center in Brentwood, Tennessee, which opened in fiscal 2014.

Financing Activities

Financing activities used cash of $131.5 million and $171.3 million in the first six months of fiscal 2015 and fiscal 2014, respectively. The $39.8 million change in net cash used in financing activities in the first six months of fiscal 2015 compared to the first six months of fiscal 2014 is due to changes in the following financing activities (in millions):

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	Fiscal six months ended June 27, 2015	Fiscal six months ended June 28, 2014	Variance
Excess tax benefit of stock options exercised	$12.9	$4.2	$8.7
Repurchase of common stock	(124.5)	(147.0)	22.5
Net proceeds from issuance of common stock	30.5	13.0	17.5
Cash dividends paid to stockholders	(49.1)	(40.3)	(8.8)
Other, net	(1.3)	(1.2)	(0.1)
Net cash used in financing activities	$(131.5)	$(171.3)	$39.8

The $39.8 million change in net cash used in financing activities in the first six months of fiscal 2015 compared with the first six months of fiscal 2014 is due to lower repurchases of common stock and an increase in proceeds from the issuance of common stock in connection with the Company’s stock option exercises.

Senior Credit Facility

The Senior Credit Facility provides for borrowings up to $400 million (with a sublimit of $30 million for swingline loans). This agreement is unsecured and matures in October 2016, with proceeds available to be used for working capital, capital expenditures, dividends, share repurchases and other matters. The Company had no outstanding borrowings under the Senior Credit Facility at June 27, 2015, December 27, 2014, or June 28, 2014. There were $57.4 million, $40.7 million and $70.9 million outstanding letters of credit under the Senior Credit Facility as of June 27, 2015, December 27, 2014 and June 28, 2014, respectively. Borrowings bear interest at either the bank’s base rate (3.25% at June 27, 2015) or the London Inter-Bank Offer Rate (“LIBOR”) (0.19% at June 27, 2015) plus an additional amount ranging from 0.40% to 1.00% per annum (0.40% at June 27, 2015), adjusted quarterly based on our leverage ratio. The Company is also required to pay, quarterly in arrears, a commitment fee for unused capacity ranging from 0.08% to 0.20% per annum (0.08% at June 27, 2015), adjusted quarterly based on the Company’s leverage ratio. The agreement requires quarterly compliance with respect to fixed charge coverage and leverage ratios. As of June 27, 2015, the Company was in compliance with all debt covenants.

The Company believes that its existing cash balances, expected cash flow from future operations, borrowings available under the Senior Credit Facility, operating and capital leases and normal trade credit will be sufficient to fund its operations and its capital expenditure needs, including new store openings, store acquisitions, relocations and renovations and distribution center capacity, through the end of fiscal 2015.

Share Repurchase Program

The Company’s Board of Directors has authorized common stock repurchases under a share repurchase program of up to $2 billion, exclusive of any fees, commissions, or other expenses related to such repurchases, through December 2017. The repurchases may be made from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased under the program will depend on a variety of factors, including price, corporate and regulatory requirements, capital availability, and other market conditions. Repurchased shares are accounted for at cost and will be held in treasury for future issuance. The program may be limited or terminated at any time without prior notice.

The Company repurchased 0.9 million and 1.0 million shares of common stock under the share repurchase program for a total cost of $76.6 million and $62.5 million during the second quarters of fiscal 2015 and fiscal 2014, respectively. During the first six months of 2015 and 2014, the Company repurchased 1.5 million and 2.2 million shares under the share repurchase program for a total cost of $124.5 million and $147.0 million, respectively. As of June 27, 2015, the Company had remaining authorization under the share repurchase program of $738.8 million, exclusive of any fees, commissions, or other expenses.

Dividends

During the first six months of fiscal 2015 and 2014, the Board of Directors declared the following cash dividends:

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Date Declared	Dividend Amount Per Share	Stockholders of Record Date	Date Paid
May 4, 2015	$0.20	May 18, 2015	June 2, 2015
February 4, 2015	$0.16	February 23, 2015	March 10, 2015
April 30, 2014	$0.16	May 19, 2014	June 3, 2014
February 5, 2014	$0.13	February 24, 2014	March 11, 2014

It is the present intention of the Board of Directors to continue to pay a quarterly cash dividend; however, the declaration and payment of future dividends will be determined by the Board of Directors in its sole discretion and will depend upon the earnings, financial condition, and capital needs of the Company, along with other factors which the Board of Directors deems relevant.

On August 3, 2015, the Company's Board of Directors declared a quarterly cash dividend of $0.20 per share of the Company's common stock. The dividend will be paid on September 1, 2015 to stockholders of record as of the close of business on August 17, 2015.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements are limited to operating leases and outstanding letters of credit. The Company typically leases buildings for retail stores rather than acquiring these assets which allows the Company to utilize financial capital to operate the business rather than invest in fixed assets. Letters of credit allow the Company to purchase inventory, primarily sourced overseas, in a timely manner and support certain risk management programs.

Significant Contractual Obligations and Commercial Commitments

At June 27, 2015, the Company had contractual commitments related to the construction of its new distribution center in Casa Grande, Arizona of approximately $13.3 million and the development of two mixing centers in Texas for approximately $3.0 million.

There have been no other material changes in our contractual obligations and commercial commitments other than in the ordinary course of business since the end of fiscal 2014.

At June 27, 2015, there were $57.4 million outstanding letters of credit under the Senior Credit Facility.

Significant Accounting Policies and Estimates

Management's discussion and analysis of the Company's financial position and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. 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 reserves
- Sales tax audit reserve
- Income tax contingencies
- Long-lived assets

See the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014 for a discussion of the Company's critical accounting policies. 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 estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information.

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Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 “Revenue from Contracts with Customers (Topic 606)”. ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. On July 9, 2015, the FASB approved a one-year deferral of ASU 2014-09. As a result of the deferral, the amendments in ASU 2014-09 are effective for reporting periods beginning after December 15, 2017. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 will have on our Condensed Consolidated Financial Statements and related disclosures, including which transition method it will adopt.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We may be exposed to changes in interest rates primarily from the Senior Credit Facility. The Senior Credit Facility bears interest at either the bank’s base rate (3.25% at June 27, 2015, December 27, 2014 and June 28, 2014) or LIBOR (0.19%, 0.17% and 0.15% at June 27, 2015, December 27, 2014 and June 28, 2014, respectively) plus an additional amount ranging from 0.40% to 1.00% per annum (0.40% at June 27, 2015 and 0.50% at both December 27, 2014 and June 28, 2014), adjusted quarterly based on our leverage ratio. We are also required to pay quarterly in arrears, a commitment fee for unused capacity ranging from 0.08% to 0.20% per annum (0.08% at June 27, 2015 and 0.10% at both December 27, 2014 and June 28, 2014), adjusted quarterly based on our leverage ratio. See Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements included herein for further discussion regarding the Senior Credit Facility.

Purchase Price Volatility

Although we cannot determine the full effect of inflation and deflation on our operations, we believe our sales and results of operations are affected by both. We are subject to market risk with respect to the pricing of certain products and services, which include, among other items, grain, corn, steel, petroleum, cotton and other commodities as well as transportation services. Therefore, we may experience both inflationary and deflationary pressure on product cost, which may impact consumer demand and, as a result, sales and gross margin. Our strategy is to reduce or mitigate the effects of purchase price volatility principally by taking advantage of vendor incentive programs, growing economies of scale from increased volume of purchases, adjusting retail prices and selectively buying from the most competitive vendors without sacrificing quality.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation required by the Securities Exchange Act of 1934, as amended (the “1934 Act”), under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the 1934 Act) as of June 27, 2015. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 27, 2015, our disclosure controls and procedures were effective.

Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company responded to a Request for Information from the EPA in the first quarter of fiscal 2009 relating to certain recreational vehicles and non-road spark ignition engines sold by the Company. In the first quarter of fiscal 2011, the Environmental Enforcement Section of the DOJ, on behalf of the EPA, informed the Company that it believed the Company had violated the Clean Air Act by importing or causing the importation of certain engines that were noncompliant, and that unless the DOJ and the Company were able to reach a settlement, the DOJ was prepared to commence a civil action. The engines were purchased by the Company pursuant to agreements with vendors under which the vendors represented that their products complied with all applicable laws and regulations and under which the vendors agreed to indemnify the Company for any liabilities or costs relating to, among other matters, the noncompliance or alleged noncompliance of their products. The Company notified these vendors of the EPA’s position and has worked with these vendors to provide additional information to the DOJ and EPA regarding the alleged violations. As a result of this process, the Company believes it has provided evidence that many of the products identified by the DOJ and EPA in early 2011 were, in fact, in compliance with the Clean Air Act and that most of the remaining issues relate to products purchased from one vendor. The vendor of these products and the Company are engaged in settlement discussions with the DOJ and EPA that would call for the payment of a civil penalty by, and certain injunctive relief against, the Company. The Company does not expect the resolution of this matter to have a material adverse effect on its financial condition, results of operations or cash flows. The Company does not believe it is reasonably possible that a loss in excess of the amount accrued will be incurred.

The Company is also involved in various litigation matters arising in the ordinary course of business. The Company believes that any estimated loss related to such matters has been adequately provided in accrued liabilities to the extent probable and reasonably estimable. Accordingly, the Company currently expects these matters will be resolved without material adverse effect on its consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Stock repurchase activity during the second quarter of fiscal 2015 was as follows:

Period	Total Number of Shares Purchased		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
March 29, 2015 – April 25, 2015	94,300		$86.62	94,300	$807,236,663
April 26, 2015 – May 23, 2015	615,006	(a)	86.98	614,800	753,773,370
May 24, 2015 – June 27, 2015	166,800		89.65	166,800	738,821,721
Total	876,106		$87.45	875,900	$738,821,721

[(a)] The total number of shares purchased and average price paid per share include 206 shares withheld from vested restricted stock units to satisfy employees' minimum statutory tax withholding requirements.

Share repurchases were made pursuant to the share repurchase program described under Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations. We expect to implement the balance of the repurchase program through purchases made from time to time either in the open market or through private transactions, in accordance with regulations of the Securities and Exchange Commission and other applicable legal requirements.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	
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.
101	The following financial information from our Quarterly Report on Form 10-Q for the second quarter of fiscal 2015, filed with the Securities and Exchange Commission on August 5, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at June 27, 2015, December 27, 2014 and June 28, 2014, (ii) the Condensed Consolidated Statements of Income for the fiscal three and six months ended June 27, 2015 and June 28, 2014, (iii) the Condensed Consolidated Statements of Cash Flows for the fiscal six months ended June 27, 2015 and June 28, 2014, and (iv) the Notes to Unaudited Condensed Consolidated Financial Statements.

* Filed herewith

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRACTOR SUPPLY COMPANY

Date: August 5, 2015

By: /s/ Anthony F. Crudele
Anthony F. Crudele
Executive Vice President - Chief Financial Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)