

TILIA



NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

Employee Spotlight: Alexis Eubanks



Tilia's Operations Manager, Alexis Eubanks, recently celebrated 3 years with our company!

With a degree in Mathematics & previous experience in retail banking, Alexis was a quick-study, and has grown to become a master of her craft. In addition to her core operations responsibilities, Alexis has led efforts in process improvement, taken on new compliance duties, and successfully trained subsequent hires.

Alexis' professional development efforts are just getting started. She is currently studying to become a "Certified Estate and Trust Specialist (CES)". We expect this effort will ultimately benefit our clients

Stock Spotlight: Tractor Supply Company

"The greatest attributes of an exceptional business aren't found in the financials, but they'll be corroborated by them." - Ed Borgato

The Tractor Supply Company is a stock that we started buying for clients in 2019, and it has grown to be the 11th largest holding by firm clients.

Tractor Supply is a stock that "screens" well. The company has grown annual sales by an average of 11% a year over the last decade, cash flow from operations has expanded at an average rate of 16.5% a year, and dividends per share have grown at a torrent pace of roughly 25% a year.

It is easy to look at these numbers and understand why Tractor Supply has trounced the S&P 500 index over the last 10 years. In order to determine if Tractor Supply will continue to be a great investment over the *next* 10 years, investors need to understand what attributes have driven this outperformance and whether they are likely to persist into the future.

Retail is a notoriously tough business. A few of the attributes that have allowed Tractor Supply to thrive since the 1930's are below:

Loyal Customers

Nearly 77% of sales are made to "Neighbors Club" members. The company leans on vendors to provide volume-based incentives that benefit loyal customers without hurting profit margins. Additionally, Tractor Supply has built a substantial portfolio of exclusive brands or "private labels" that deliver good value to customers and represent 29% of total sales.

considerably as they navigate complex estate planning issues for themselves and their loved ones.

Clients will get used to seeing more of Alexis in the future as her involvement in the client-facing aspects of the business grows.

Client Education Events

In early April, Tilia partnered with Liz Smith of Rising Tide College Consulting for another client education event. This one centered on Successful Course Planning for the Future College Student and took place via Zoom. For clients with children in or approaching high school, please reach out if you'd like to get a link to the recorded conversation.

The college planning series will continue in the fall with another session titled "The Ins and Outs of Financial Aid". We don't have a firm date for this session yet, but we'll post it soon at tiliapartners.com and send invitations to existing clients via email.

Sources:

ir.tractorsupply.com/investor-relations

*The Tractor Supply Company
2023 Annual Report*

<https://www.statista.com/topics/1258/pets/#topicoverview>

A Long Runway for Reinvestment

Tractor Supply has grown to over 2,200 stores spread across 49 states (NC has the 2nd highest store count behind Texas). The company's long-range target is 3,000 stores, with plans to open 80 in 2024 and 90 in 2025. Beyond that, Tractor Supply has room to grow Petsense, - a small box retail pet store geared towards small and mid-sized communities, which they've expanded to 198 stores after buying the 136 store chain in 2016.

Expanding Addressable Market

Tractor Supply is the World's Largest Seller of bagged feed & food for livestock and companion animals (pets). Pet food made up 25% of total sales, up from 21% in 2021. Livestock, Equine & Agriculture sales made up 27% of the total sales. 66% of U.S. households now own at least one pet (up from 56% in 1988). We believe that steady uptrend will continue alongside U.S. population growth.

Leading Scale & Distribution

The company operates a distribution network that includes 10 regional distribution centers that process over 80% of the merchandise sold by the company. The company uses its distribution strength & buying power to deliver low prices & build long-term customer relationships.

Employee Loyalty

Tractor Supply has one of the most robust benefit packages of any company we follow. Full & part-time employees receive medical coverage after 30 days on the job. Additional benefits range from an employee stock purchase plan, to a deferred compensation plan, tuition reimbursement, fertility benefits & even pet insurance. It is no surprise that the average tenure for store managers is 6 years, and 9 years for district managers.

In the short-run, the company faces some tough sales comparisons following dramatic growth in the post-covid period. Over the longer-term, we are confident that Tractor Supply's commitment to the attributes above will continue to be rewarding for shareholders.