

Section 1: 10-Q (10-Q TRACTOR SUPPLY COMPANY)

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

June 30, 2018

or

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

For the transition period from

to

Commission file number 000-23314



TRACTOR SUPPLY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

13-3139732

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

5401 Virginia Way, Brentwood, Tennessee

(Address of Principal Executive Offices)

37027

(Zip Code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

(615) 440-4000

(Registrant's Telephone Number, Including Area Code)

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

YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

YES NO

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

Class	Outstanding at July 28, 2018
Common Stock, \$.008 par value	121,804,677

TRACTOR SUPPLY COMPANY

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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 30, 2018	December 30, 2017	July 1, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 69,954	\$ 109,148	\$ 67,793
Inventories	1,632,280	1,453,208	1,468,254
Prepaid expenses and other current assets	103,379	88,252	90,409
Income taxes receivable	5,115	4,760	4,066
Total current assets	1,810,728	1,655,368	1,630,522
Property and equipment:			
Land	100,564	99,336	99,267
Buildings and improvements	1,072,866	1,037,730	995,716
Furniture, fixtures and equipment	619,284	605,957	584,275
Computer software and hardware	290,599	266,898	243,577
Construction in progress	125,945	83,816	48,521
Property and equipment, gross	2,209,258	2,093,737	1,971,356
Accumulated depreciation and amortization	(1,127,715)	(1,049,234)	(988,998)
Property and equipment, net	1,081,543	1,044,503	982,358
Goodwill and other intangible assets	124,492	124,492	125,717
Deferred income taxes	20,741	18,494	52,960
Other assets	29,902	25,912	24,015
Total assets	\$ 3,067,406	\$ 2,868,769	\$ 2,815,572
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 649,665	\$ 576,568	\$ 510,820
Accrued employee compensation	22,758	31,673	14,264
Other accrued expenses	205,352	201,656	184,829
Current portion of long-term debt	25,000	25,000	20,000
Current portion of capital lease obligations	3,714	3,545	3,418
Income taxes payable	34,997	10,772	73,157
Total current liabilities	941,486	849,214	806,488
Long-term debt	516,410	401,069	433,676
Capital lease obligations, less current maturities	30,639	32,617	33,860
Deferred rent	107,827	105,906	102,525
Other long-term liabilities	65,002	61,290	56,457
Total liabilities	1,661,364	1,450,096	1,433,006
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 30, 2018, December 30, 2017 and July 1, 2017; 170,728, 170,375 and 170,184 shares issued; 121,811, 125,303 and 127,231 shares outstanding at June 30, 2018, December 30, 2017 and July 1, 2017, respectively	1,366	1,363	1,361
Additional paid-in capital	746,410	716,228	693,775
Treasury stock – at cost, 48,917, 45,072 and 42,953 shares at June 30, 2018, December 30, 2017 and July 1, 2017, respectively	(2,383,446)	(2,130,901)	(2,009,645)
Accumulated other comprehensive income	5,742	3,358	1,521
Retained earnings	3,035,970	2,828,625	2,695,554
Total stockholders' equity	1,406,042	1,418,673	1,382,566

Total liabilities and stockholders' equity	\$ 3,067,406	\$ 2,868,769	\$ 2,815,572
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales	\$ 2,213,249	\$ 2,017,762	\$ 3,896,150	\$ 3,581,840
Cost of merchandise sold	1,443,835	1,313,054	2,563,087	2,358,929
Gross profit	769,414	704,708	1,333,063	1,222,911
Selling, general and administrative expenses	452,346	405,736	878,459	787,850
Depreciation and amortization	43,610	41,047	86,397	80,774
Operating income	273,458	257,925	368,207	354,287
Interest expense, net	4,978	3,092	9,446	5,869
Income before income taxes	268,480	254,833	358,761	348,418
Income tax expense	61,191	94,184	80,039	127,458
Net income	\$ 207,289	\$ 160,649	\$ 278,722	\$ 220,960
Net income per share – basic	\$ 1.70	\$ 1.25	\$ 2.26	\$ 1.71
Net income per share – diluted	\$ 1.69	\$ 1.25	\$ 2.25	\$ 1.70
Weighted average shares outstanding:				
Basic	122,100	128,186	123,288	129,231
Diluted	122,775	128,722	123,975	129,906
Dividends declared per common share outstanding	\$ 0.31	\$ 0.27	\$ 0.58	\$ 0.51

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

TRACTOR SUPPLY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(Unaudited)

	For the Fiscal Three Months Ended		For the Fiscal Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income	\$ 207,289	\$ 160,649	\$ 278,722	\$ 220,960
Other comprehensive income (loss):				
Change in fair value of interest rate swaps, net of taxes	552	(152)	2,384	129
Total other comprehensive income (loss)	552	(152)	2,384	129
Total comprehensive income	\$ 207,841	\$ 160,497	\$ 281,106	\$ 221,089

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

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

	For the Fiscal Six Months Ended	
	June 30, 2018	July 1, 2017
Cash flows from operating activities:		
Net income	\$ 278,722	\$ 220,960
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	86,397	80,774
Loss on disposition of property and equipment	623	198
Share-based compensation expense	16,409	15,079
Deferred income taxes	(2,247)	(7,742)
Change in assets and liabilities:		
Inventories	(179,072)	(98,598)
Prepaid expenses and other current assets	(15,127)	148
Accounts payable	73,097	(8,702)
Accrued employee compensation	(8,915)	(10,982)
Other accrued expenses	(3,884)	(33,895)
Income taxes	23,870	67,289
Other	4,141	2,979
Net cash provided by operating activities	274,014	227,508
Cash flows from investing activities:		
Capital expenditures	(116,695)	(96,610)
Proceeds from sale of property and equipment	288	10,781
Net cash used in investing activities	(116,407)	(85,829)
Cash flows from financing activities:		
Borrowings under debt facilities	673,000	578,000
Repayments under debt facilities	(557,500)	(398,000)
Debt issuance costs	(346)	(313)
Principal payments under capital lease obligations	(1,809)	(669)
Repurchase of shares to satisfy tax obligations	(569)	(653)
Repurchase of common stock	(252,545)	(248,147)
Net proceeds from issuance of common stock	14,345	7,835
Cash dividends paid to stockholders	(71,377)	(65,855)
Net cash used in financing activities	(196,801)	(127,802)
Net change in cash and cash equivalents	(39,194)	13,877
Cash and cash equivalents at beginning of period	109,148	53,916
Cash and cash equivalents at end of period	\$ 69,954	\$ 67,793
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 6,337	\$ 5,218
Income taxes	58,949	67,752
Supplemental disclosures of non-cash activities:		
Property and equipment acquired through capital lease	\$ —	\$ 10,734
Non-cash accruals for construction in progress	16,227	15,377

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

TRACTOR SUPPLY COMPANY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General:

Nature of Business

Founded in 1938, Tractor Supply Company (the “Company” or “we” or “our”) is the largest operator of rural lifestyle retail stores in the United States (“U.S.”). The Company is focused on supplying the needs of recreational farmers and ranchers and those who enjoy the rural lifestyle (which we refer to as the “*Out Here*” lifestyle), as well as tradesmen and small businesses. Stores are located in towns outlying major metropolitan markets and in rural communities. The Company also owns and operates Petsense LLC (“Petsense”), a small-box pet specialty supply retailer focused on meeting the needs of pet owners, primarily in small and mid-sized communities, and offering a variety of pet products and services. At June 30, 2018, the Company operated a total of 1,899 retail stores in 49 states (1,725 Tractor Supply and Del’s retail stores and 174 Petsense retail stores) and also offered an expanded assortment of products online at TractorSupply.com and Petsense.com.

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 (“SEC”). 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 30, 2017. The results of operations for our interim periods are not necessarily indicative of results for the full fiscal year.

In the first quarter of fiscal 2018, the Company adopted accounting guidance that allowed for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (the “TCJA”) as discussed in Note 12. This guidance was applied retrospectively, which resulted in the reclassification of \$0.6 million from accumulated other comprehensive income to retained earnings in the Condensed Consolidated Balance Sheet as of December 30, 2017. No other periods presented were affected by the adoption of this accounting guidance.

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, debt instruments and interest rate swaps. 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 \$543.0 million in borrowings under its debt facilities (as discussed in Note 5) at June 30, 2018, \$427.5 million in borrowings at December 30, 2017, and \$455.0 million in borrowings at July 1, 2017. Based on market interest rates (Level 2 inputs), the carrying value of borrowings in our debt facilities approximates fair value for each period reported. The fair value of the Company’s interest rate swaps is determined based on the present value of expected future cash flows using forward rate curves (a Level 2 input). As described in further detail in Note 6, the fair value of the interest rate swaps, excluding accrued interest, was an \$8.4 million asset at June 30, 2018, a \$5.2 million asset at December 30, 2017 and a \$3.0 million asset at July 1, 2017.

Note 3 – Share-Based Compensation:

Share-based compensation includes stock options, restricted stock units, performance-based restricted share 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 stock options, restricted stock units and performance-based restricted share unit awards plus a discount on shares purchased by employees as a part of the ESPP.

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In fiscal 2018 and 2017, there were no significant modifications to the Company's share-based compensation plans prior to May 10, 2018, when the Company's shareholders approved the 2018 Omnibus Incentive Plan (the "2018 Plan") replacing the 2009 Stock Incentive Plan. Following the adoption of the 2018 Plan, no further grants may be made under the 2009 Stock Incentive Plan. The maximum number of shares of common stock with respect to which awards may be granted under the 2018 Plan is 12,562,318. Under our 2018 Plan, awards may be granted to officers, non-employee directors, other employees and independent contractors. 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 awards will expire no later than ten years from the date of grant. Vesting of awards commences at various anniversary dates following the dates of grant and certain awards will vest only upon established performance conditions being met.

For the second quarters of fiscal 2018 and 2017, share-based compensation expense was \$7.8 million and \$7.5 million, respectively, and \$16.4 million and \$15.1 million for the first six months of fiscal 2018 and 2017, respectively.

Stock Options

The following table summarizes information concerning stock option grants during the first six months of fiscal 2018 and 2017:

	Fiscal six months ended	
	June 30, 2018	July 1, 2017
Stock options granted	664,686	1,557,681
Weighted average exercise price	\$ 67.27	\$ 72.76
Weighted average grant date fair value per option	\$ 14.86	\$ 14.68

As of June 30, 2018, total unrecognized compensation expense related to non-vested stock options was approximately \$18.8 million with a remaining weighted average expense recognition period of 1.9 years.

Restricted Stock Units and Performance-Based Restricted Share Units

The following table summarizes information concerning restricted stock unit and performance-based restricted share unit grants during the first six months of fiscal 2018 and 2017:

	Fiscal six months ended	
	June 30, 2018	July 1, 2017
Restricted stock units granted	298,249	82,835
Performance-based restricted share units granted	39,330	—
Weighted average grant date fair value per share	\$ 63.37	\$ 66.70

During the first quarter of fiscal 2018, the Company granted awards that are subject to the achievement of specified performance goals. The performance metrics for the units are growth in net sales and growth in earnings per diluted share. The number of performance-based restricted share units presented in the foregoing table represent the shares that can be achieved at the performance metric target value. The actual number of shares that will be issued under the performance share awards, which may be higher or lower than the target, will be determined by the level of achievement of the performance goals. If the performance targets are achieved, the units will be issued based on the achievement level and the grant date fair value and vest on a pro rata basis over a three-year period.

As of June 30, 2018, total unrecognized compensation expense related to non-vested restricted stock units and non-vested performance-based restricted share units was approximately \$18.5 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 share-based awards. Performance-based restricted share units are included in diluted shares only if the related performance conditions are considered satisfied as of the end of the reporting period. Net income per share is calculated as follows (in thousands, except per share amounts):

	Fiscal three months ended			Fiscal three months ended		
	June 30, 2018			July 1, 2017		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic net income per share:	\$ 207,289	122,100	\$ 1.70	\$ 160,649	128,186	\$ 1.25
Dilutive effect of share-based awards	—	675	(0.01)	—	536	—
Diluted net income per share:	\$ 207,289	122,775	\$ 1.69	\$ 160,649	128,722	\$ 1.25

	Fiscal six months ended			Fiscal six months ended		
	June 30, 2018			July 1, 2017		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic net income per share:	\$ 278,722	123,288	\$ 2.26	\$ 220,960	129,231	\$ 1.71
Dilutive effect of share-based awards	—	687	(0.01)	—	675	(0.01)
Diluted net income per share:	\$ 278,722	123,975	\$ 2.25	\$ 220,960	129,906	\$ 1.70

Anti-dilutive stock options excluded from the above calculations totaled approximately 3.8 million and 4.1 million shares for the three months ended June 30, 2018 and July 1, 2017, respectively, and 3.7 million and 3.2 million shares for the fiscal six months ended June 30, 2018 and July 1, 2017, respectively.

Note 5 – Debt:

The following table summarizes the Company’s outstanding debt as of the dates indicated (in millions):

	June 30, 2018	December 30, 2017	July 1, 2017
Senior Notes	\$ 150.0	\$ 150.0	\$ —
Senior Credit Facility:			
February 2016 Term Loan	170.0	180.0	185.0
June 2017 Term Loan	95.0	97.5	100.0
Revolving credit loans	128.0	—	170.0
Total outstanding borrowings	543.0	427.5	455.0
Less: unamortized debt issuance costs	(1.6)	(1.4)	(1.3)
Total debt	541.4	426.1	453.7
Less: current portion of long-term debt	(25.0)	(25.0)	(20.0)
Long-term debt	\$ 516.4	\$ 401.1	\$ 433.7
Outstanding letters of credit	\$ 39.9	\$ 39.6	\$ 44.3

Senior Notes

On August 14, 2017, the Company entered into a note purchase and private shelf agreement (the “Note Purchase Agreement”), pursuant to which the Company agreed to sell \$150 million aggregate principal amount of senior unsecured notes due August 14, 2029 (the “2029 Notes”) in a private placement. The 2029 Notes bear interest at 3.70% per annum with interest payable semi-

annually in arrears on each annual and semi-annual anniversary of the issuance date. The obligations under the Note Purchase Agreement are unsecured, but guaranteed by each of the Company's material subsidiaries.

The Company may from time to time issue and sell additional senior unsecured notes (the "Shelf Notes") pursuant to the Note Purchase Agreement, in an aggregate principal amount of up to \$150 million. The Shelf Notes will have a maturity date of no more than 12 years after the date of original issuance and may be issued through August 14, 2020, unless earlier terminated in accordance with the terms of the Note Purchase Agreement.

Pursuant to the Note Purchase Agreement, the 2029 Notes and any Shelf Notes (collectively, the "Notes") are redeemable by the Company, in whole at any time or in part from time to time, at 100% of the principal amount of the Notes being redeemed, together with accrued and unpaid interest thereon and a make whole amount calculated by discounting all remaining scheduled payments on the Notes by the yield on the U.S. Treasury security with a maturity equal to the remaining average life of the Notes plus 0.50%.

Senior Credit Facility

On February 19, 2016, the Company entered into a senior credit facility (the "2016 Senior Credit Facility") consisting of a \$200 million term loan (the "February 2016 Term Loan") and a \$500 million revolving credit facility (the "Revolver") with a sublimit of \$50 million for swingline loans. This agreement is unsecured. On February 16, 2018, the maturity date was extended from February 19, 2021 to February 19, 2022.

On June 15, 2017, pursuant to an accordion feature available under the 2016 Senior Credit Facility, the Company entered into an incremental term loan agreement (the "June 2017 Term Loan") which increased the term loan capacity under the 2016 Senior Credit Facility by \$100 million. This agreement is unsecured and matures on June 15, 2022.

The February 2016 Term Loan of \$200 million requires quarterly payments totaling \$10 million per year in years one and two and \$20 million per year through the maturity date, with the remaining balance due in full on the maturity date of February 19, 2022. The June 2017 Term Loan of \$100 million requires quarterly payments totaling \$5 million per year in years one and two and \$10 million per year in years three through the maturity date, with the remaining balance due in full on the maturity date of June 15, 2022. The 2016 Senior Credit Facility also contains a \$500 million revolving credit facility (with a sublimit of \$50 million for swingline loans).

Borrowings under the February 2016 Term Loan and Revolver bear interest at either the bank's base rate (5.000% at June 30, 2018) or the London Inter-Bank Offer Rate ("LIBOR") (2.090% at June 30, 2018) plus an additional amount ranging from 0.500% to 1.125% per annum (0.750% at June 30, 2018), 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 0.075% to 0.200% per annum (0.125% at June 30, 2018), adjusted quarterly based on the Company's leverage ratio. Borrowings under the June 2017 Term Loan bear interest at either the bank's base rate (5.000% at June 30, 2018) or LIBOR (2.090% at June 30, 2018) plus an additional 1.000% per annum. As further described in Note 6, the Company has entered into interest rate swap agreements in order to hedge our exposure to variable rate interest payments associated with each of the term loans under the 2016 Senior Credit Facility.

Proceeds from the 2016 Senior Credit Facility may be used for working capital, capital expenditures, dividends, share repurchases and other matters. There are no compensating balance requirements associated with the 2016 Senior Credit Facility.

Covenants and Default Provisions of the Debt Agreements

The 2016 Senior Credit Facility and the Note Purchase Agreement (collectively, the "Debt Agreements") require quarterly compliance with respect to two material covenants: a fixed charge coverage ratio and a leverage ratio. Both ratios are calculated on a trailing twelve-month basis at the end of each fiscal quarter. The fixed charge coverage ratio compares earnings before interest, taxes, depreciation, amortization, share-based compensation and rent expense ("consolidated EBITDAR") to the sum of interest paid and rental expense (excluding any straight-line rent adjustments). The fixed charge coverage ratio shall be greater than or equal to 2.00 to 1.0 as of the last day of each fiscal quarter. The leverage ratio compares rental expense (excluding any straight-line rent adjustments) multiplied by a factor of six plus total debt to consolidated EBITDAR. The leverage ratio shall be less than or equal to 4.00 to 1.0 as of the last day of each fiscal quarter. The Debt Agreements also contain certain other restrictions regarding additional indebtedness, capital expenditures, business operations, guarantees, investments, mergers, consolidations and sales of assets, prepayment of debts, transactions with subsidiaries or affiliates, and liens. As of June 30, 2018, the Company was in compliance with all debt covenants.

The Debt Agreements contain customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, certain events of bankruptcy and insolvency, material judgments,

certain ERISA events and invalidity of loan documents. Upon certain changes of control, payment under the Debt Agreements could become due and payable. In addition, under the Note Purchase Agreement, upon an event of default or change of control, the make whole payment described above may become due and payable.

The Note Purchase Agreement also requires that, in the event the Company amends its 2016 Senior Credit Facility, or any subsequent credit facility of \$100 million or greater, such that it contains covenant or default provisions that are not provided in the Note Purchase Agreement or that are similar to those contained in the Note Purchase Agreement but which contain percentages, amounts, formulas or grace periods that are more restrictive than those set forth in the Note Purchase Agreement or are otherwise more beneficial to the lenders thereunder, the Note Purchase Agreement shall be automatically amended to include such additional or amended covenants and/or default provisions.

Note 6 – Interest Rate Swaps:

The Company entered into an interest rate swap agreement which became effective on March 31, 2016, with a maturity date of February 19, 2021. The notional amount of this swap agreement began at \$197.5 million (the principal amount of the February 2016 Term Loan borrowings as of March 31, 2016) and will amortize at the same time and in the same amount as the February 2016 Term Loan borrowings as described in Note 5, up to the maturity date of the interest rate swap agreement on February 19, 2021. As of June 30, 2018, the notional amount of the interest rate swap was \$170.0 million.

The Company entered into a second interest rate swap agreement which became effective on June 30, 2017, with a maturity date of June 15, 2022. The notional amount of this swap agreement began at \$100 million (the principal amount of the June 2017 Term Loan borrowings as of June 30, 2017) and will amortize at the same time and in the same amount as the June 2017 Term Loan borrowings as described in Note 5. As of June 30, 2018, the notional amount of the interest rate swap was \$95.0 million.

The Company's interest rate swap agreements are executed for risk management and are not held for trading purposes. The objective of the interest rate swap agreements is to mitigate interest rate risk associated with future changes in interest rates. To accomplish this objective, the interest rate swap agreements are intended to hedge the variable cash flows associated with the variable rate term loan borrowings under the 2016 Senior Credit Facility. Both interest rate swap agreements entitle the Company to receive, at specified intervals, a variable rate of interest based on LIBOR in exchange for the payment of a fixed rate of interest throughout the life of the agreement, without exchange of the underlying notional amount.

The Company has designated its interest rate swap agreements as cash flow hedges and accounts for the underlying activity in accordance with hedge accounting. The interest rate swaps are presented within the consolidated balance sheets at fair value. In accordance with hedge accounting, the effective portion of gains and losses on interest rate swaps that are designated and qualify as cash flow hedges are recorded as a component of Other Comprehensive Income ("OCI") and reclassified into earnings in the period during which the hedged transactions affect earnings. The ineffective portion of gains and losses on interest rate swaps, if any, are recognized in current earnings.

The assets and liabilities measured at fair value related to the Company's interest rate swaps, excluding accrued interest, were as follows (in thousands):

	Balance Sheet Location	June 30, 2018	December 30, 2017	July 1, 2017
Interest rate swaps (short-term portion)	Other current assets / (Other accrued expenses)	\$ 2,533	\$ 900	\$ (56)
Interest rate swaps (long-term portion)	Other assets	5,871	4,252	3,105
Total net assets		\$ 8,404	\$ 5,152	\$ 3,049

The offset to the interest rate swap asset or liability is recorded as a component of equity, net of deferred taxes, in Accumulated Other Comprehensive Income ("AOCI"), and will be reclassified into earnings over the term of the underlying debt as interest payments are made.

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The following table summarizes the changes in AOCI, net of tax, related to the Company's interest rate swaps (in thousands):

	June 30, 2018	December 30, 2017	July 1, 2017
Beginning fiscal year AOCI balance	\$ 3,358	\$ 1,392	\$ 1,392
Current fiscal period gain recognized in OCI	2,384	1,371	129
Reclassification of stranded tax effects to retained earnings ^(a)	—	595	—
Other comprehensive gain, net of tax	2,384	1,966	129
Ending fiscal period AOCI balance	\$ 5,742	\$ 3,358	\$ 1,521

(a) AOCI for the period ended December 30, 2017 has been adjusted from previously reported amounts as a result of the adoption of ASU 2018-02 as discussed in Notes 1 and 12.

As of June 30, 2018, the estimated pre-tax portion of AOCI that is expected to be reclassified into earnings over the next twelve months is \$2.5 million. Cash flows related to the interest rate swaps are included in operating activities on the condensed consolidated statements of cash flows.

The following table summarizes the impact of pre-tax gains and losses derived from the Company's interest rate swaps (in thousands):

	Financial Statement Location	Fiscal three months ended		Fiscal six months ended	
		June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Effective portion of gains (losses) recognized in OCI during the period	Other comprehensive income (loss)	\$ 737	\$ (250)	\$ 3,205	\$ 211
Ineffective portion of gains recognized in earnings during the period	Interest expense, net	19	15	47	21

The following table summarizes the impact of taxes affecting AOCI as a result of the Company's interest rate swaps (in thousands):

	Fiscal three months ended		Fiscal six months ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Income tax expense (benefit) of interest rate swaps on AOCI	\$ 185	\$ (98)	\$ 821	\$ 82

Credit-risk-related contingent features

In accordance with the underlying interest rate swap agreements, the Company could be declared in default on its interest rate swap obligations if repayment of the underlying indebtedness (i.e. the Company's term loans) is accelerated by the lender due to the Company's default on such indebtedness.

If the Company had breached any of the provisions in the underlying agreements at June 30, 2018, it could have been required to post full collateral or settle its obligations under the Company's interest rate swap agreements. However, as of June 30, 2018, the Company had not breached any of these provisions or posted any collateral related to the underlying interest rate swap agreements. Further, as of June 30, 2018, the net balance of each of the Company's interest rate swaps were in a net asset position and therefore the Company would have no obligation upon default.

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 thousand shares of preferred stock, with such designations, rights and preferences as may be determined from time to time by the Board of Directors.

Dividends

During the first six months of fiscal 2018 and 2017, the Board of Directors declared the following cash dividends:

Date Declared	Dividend Amount Per Share	Record Date	Date Paid
May 9, 2018	\$ 0.31	May 29, 2018	June 12, 2018
February 7, 2018	\$ 0.27	February 26, 2018	March 13, 2018
May 8, 2017	\$ 0.27	May 22, 2017	June 6, 2017
February 8, 2017	\$ 0.24	February 27, 2017	March 14, 2017

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 that the Board of Directors deems relevant.

On August 8, 2018, the Company's Board of Directors declared a quarterly cash dividend of \$0.31 per share of the Company's outstanding common stock. The dividend will be paid on September 11, 2018, to stockholders of record as of the close of business on August 27, 2018.

Note 8 – Treasury Stock:

The Company's Board of Directors has authorized common stock repurchases under a share repurchase program up to \$3 billion, exclusive of any fees, commissions, or other expenses related to such repurchases through December 31, 2020. 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 approximately 1.5 million and 2.2 million shares of common stock under the share repurchase program for a total cost of \$95.1 million and \$133.6 million during the second quarters of fiscal 2018 and fiscal 2017, respectively. The Company repurchased approximately 3.8 million shares under the share repurchase program during the first six months of both fiscal 2018 and fiscal 2017 for a total cost of \$252.5 million and \$248.1 million, respectively. As of June 30, 2018, the Company had remaining authorization under the share repurchase program of \$0.62 billion, exclusive of any fees, commissions or other expenses.

Note 9 – Income Taxes:

The Company's effective income tax rate decreased to 22.8% in the second quarter of fiscal 2018 compared to 37.0% for the second quarter of fiscal 2017. For the first six months of fiscal 2018, the effective income tax rate decreased to 22.3% compared to 36.6% for the first six months of fiscal 2017. The decrease for the second quarter and first six months of fiscal 2018 compared to the second quarter and first six months of fiscal 2017 was due primarily to the effect of the TCJA, which was signed into law in December 2017. In addition, income taxes were further reduced in the second quarter and first six months of fiscal 2018 by the realization of discrete federal and state tax credits.

Under the provisions of the TCJA, the U.S. corporate federal income tax rate decreased from 35% to 21% effective for tax years beginning after December 31, 2017. The Company made a reasonable estimate of the effects on our existing deferred tax balances as of December 30, 2017, and recognized a provisional expense amount of \$4.9 million, which was included as a component of income tax expense from continuing operations for fiscal 2017. The Company will recognize any changes to this provisional amount as we refine our estimates of our cumulative temporary differences and interpretations of guidance related to the application of the TCJA.

Note 10 – Commitments and Contingencies:Construction and Real Estate Commitments

At June 30, 2018, the Company had contractual commitments of approximately \$30.0 million related to the ongoing construction of its new distribution center in Frankfort, New York. There were no material commitments related to real estate or construction projects extending greater than twelve months.

Letters of Credit

At June 30, 2018, there were \$39.9 million of outstanding letters of credit under the 2016 Senior Credit Facility.

Litigation

The Company is 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 for 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 11 – Segment Reporting:

The Company has one reportable segment which is the retail sale of products that support the rural lifestyle. The following table indicates the percentage of net sales represented by each major product category during the fiscal three months and six months ended June 30, 2018 and July 1, 2017:

Product Category:	Fiscal three months ended		Fiscal six months ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Livestock and Pet	44%	45%	48%	48%
Seasonal, Gift and Toy Products	24	23	21	20
Hardware, Tools and Truck	21	21	21	21
Agriculture	6	6	4	5
Clothing and Footwear	5	5	6	6
Total	100%	100%	100%	100%

Note 12 – New Accounting Pronouncements:*New Accounting Pronouncements Recently Adopted*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 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. In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,” which implemented 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. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” which further clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” which further clarifies the aspects of (a) identifying performance obligations and (b) the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12 “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,” which provides implementation guidance in regards to (a) assessing the collectability criterion, (b) the presentation of taxes collected from customers, (c) noncash consideration, (d) contract modification at transition, (e) completed contracts at transition

and (f) other technical corrections. In December 2016, the FASB issued ASU 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers,” which is intended to clarify the codification and to correct unintended application of guidance pertaining to Topic 606 and other Topics amended by ASU 2014-09 to increase stakeholders’ awareness of the proposals and to expedite improvements to ASU 2014-09. The effective date and transition requirements for ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 are the same as the effective date and transition requirements of ASU 2014-09. Entities that transition to these standards may either retrospectively restate each prior reporting period or reflect the cumulative effect of initially applying the updates with an adjustment to retained earnings at the date of adoption. The Company adopted this guidance in the first quarter of fiscal 2018 using the modified retrospective transition method. Based on an evaluation of the standard as a whole, the Company identified customer incentives and principal versus agent considerations as the areas that were principally affected by the new revenue recognition guidance. The adoption of this guidance did not have a material impact on our Consolidated Financial Statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting.” This update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless (a) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified, (b) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified and (c) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The amendments in ASU 2017-09 are effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted, including adoption in any interim period, for public business entities for reporting periods for which financial statements have not been issued. The amendments in ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date. The Company adopted this guidance in the first quarter of fiscal 2018. The adoption of this guidance did not have a material impact on our Consolidated Financial Statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. This guidance is effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The amendments in ASU 2018-02 should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the TCJA is recognized. The Company adopted this guidance in the first quarter of fiscal 2018 using a retrospective application, which resulted in the reclassification of \$0.6 million from accumulated other comprehensive income to retained earnings in the Consolidated Balance Sheet as of December 30, 2017. No other periods presented were affected by the adoption of this accounting guidance.

In March 2018, the FASB issued ASU 2018-05, “Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118.” The new guidance provides SEC Staff views on income tax accounting implications of the TCJA signed into law in December 2017. The guidance clarifies the measurement period timeframe, changes in subsequent reporting periods and reporting requirements as a result of the TCJA. The Company adopted this guidance in the first quarter of fiscal 2018. As further discussed in Note 9, the Company recorded a provisional impact of the TCJA in fiscal 2017 and will recognize any changes to this provisional amount as we refine our estimates of our cumulative temporary differences and interpretations of guidance related to the application of the TCJA. The adoption of this guidance has not had, nor is expected to have, a material impact on our Consolidated Financial Statements and related disclosures.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This update requires a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. In January 2018, the FASB issued ASU 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842.” This update permits an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expired before the entity’s adoption of ASU 2016-02 and that were not accounted for as leases under previous lease guidance. In July 2018, ASU 2018-10, “Codification Improvements to Topic 842, Leases,” was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. Furthermore, in July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842): Targeted Improvements,” which provides an optional transition method in addition to the existing modified retrospective transition method by allowing a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. These new leasing standards are effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Company intends to adopt this guidance in the first quarter of fiscal 2019 using the optional transition method provided by

ASU 2018-11. The Company is currently evaluating the impact that adoption of this guidance will have on its Consolidated Financial Statements and related disclosures but expects the guidance to have a material impact on its Consolidated Balance Sheet as a result of the requirement to recognize right-of-use assets and lease liabilities.

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,” which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. This update expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. Additionally, the amendments in ASU 2017-12 provide new guidance about income statement classification and eliminates the requirement to separately measure and report hedge ineffectiveness. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The amendments in ASU 2017-12 require that an entity with cash flow or net investment hedges existing at the date of adoption apply a cumulative-effect adjustment to eliminate the separate measurement of ineffectiveness to the opening balance of retained earnings as of the beginning of the fiscal year in which the entity adopts this guidance. The amended presentation and disclosure guidance should be adopted prospectively. The Company is currently assessing the impact that adoption of this guidance will have on its Consolidated Financial Statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, “Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting,” which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its Consolidated Financial Statements and related disclosures.

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 30, 2017. This Form 10-Q also contains forward-looking statements and 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 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, national, regional and local 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, including that from online competitors, 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, the imposition of tariffs on imported products or the disallowance of tax deductions on imported products, 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, including anticipated effects as a result of the U.S. Tax Cuts and Jobs Act (the "TCJA"), the ability to maintain an effective system of internal control over financial reporting, and 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 30, 2017. 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. We believe that our business can be more accurately assessed by focusing on the performance of the halves, not the quarters, due to the fact that different weather patterns from year-to-year can shift the timing of sales and profits between quarters, particularly between the first and second fiscal quarters and the third and fourth fiscal quarters.

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.

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. Stores closed during either of the years being compared are removed from our comparable store 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 became material, we would remove relocated stores from the calculations.

Results of Operations

Fiscal Three Months (Second Quarter) Ended June 30, 2018 and July 1, 2017

Net sales for the second quarter of fiscal 2018 increased 9.7% to \$2.21 billion from \$2.02 billion in the second quarter of fiscal 2017. Comparable store sales for the second quarter of fiscal 2018 were \$2.13 billion, a 5.6% increase as compared to the second quarter of fiscal 2017. Comparable store sales increased 2.2% for the second quarter of fiscal 2017.

The comparable store sales results in the second quarter of fiscal 2018 included increases in comparable average ticket of 3.7% and transaction count of 1.8% compared to the prior year's second quarter. The increase in comparable store sales was primarily driven by broad-based strength in everyday merchandise, along with robust growth across spring and summer seasonal categories. All merchandise categories delivered increased comparable store sales, as did all geographic regions. The increase in comparable average ticket resulted principally from strength in big ticket merchandise as well as the favorable impact of inflation.

In addition to comparable store sales growth in the second quarter of fiscal 2018, sales from stores open less than one year were \$86.6 million in the second quarter of fiscal 2018, which represented 4.3 percentage points of the 9.7% increase over second quarter fiscal 2017 net sales. For the second quarter of fiscal 2017, sales from stores open less than one year were \$119.6 million, which represented 6.5 percentage points of the 8.9% increase over second quarter fiscal 2016 net sales. Acquired Petsense stores are considered comparable beginning in the fourth quarter of fiscal 2017.

The following table summarizes our store growth for the fiscal three months ended June 30, 2018 and July 1, 2017:

	Fiscal three months ended	
	June 30, 2018	July 1, 2017
<u>Tractor Supply</u>		
Store count, beginning of period	1,700	1,617
New stores opened	25	14
Stores closed	—	(1)
Store count, end of period	1,725	1,630
<u>Petsense</u>		
Store count, beginning of period	172	152
New stores opened	3	8
Stores closed	(1)	—
Store count, end of period	174	160
Consolidated store count, end of period	1,899	1,790
Stores relocated	2	1

The following table indicates the percentage of net sales represented by each of our major product categories for the fiscal three months ended June 30, 2018 and July 1, 2017:

Product Category:	Fiscal three months ended	
	June 30, 2018	July 1, 2017
Livestock and Pet	44%	45%
Seasonal, Gift and Toy Products	24	23
Hardware, Tools and Truck	21	21
Agriculture	6	6
Clothing and Footwear	5	5
Total	100%	100%

Gross profit increased 9.2% to \$769.4 million for the second quarter of fiscal 2018 from \$704.7 million for the second quarter of fiscal 2017. As a percent of net sales, gross margin decreased 16 basis points to 34.8% for the second quarter of fiscal 2018 from 34.9% for the second quarter of fiscal 2017. The decline in gross margin resulted primarily from an increase in freight expense due to higher carrier rates and increased diesel fuel prices. Partially offsetting these items were the strength of the Company's price management program and reduced promotional activity.

Selling, general and administrative ("SG&A") expenses, including depreciation and amortization, increased 11.0% to \$496.0 million for the second quarter of fiscal 2018 from \$446.8 million in the second quarter of fiscal 2017. As a percent of net sales, SG&A expenses increased 27 basis points to 22.4% in the second quarter of fiscal 2018 from 22.1% in the second quarter of fiscal 2017. The increase in SG&A as a percent of net sales was primarily attributable to higher incentive compensation from the strong year-over-year growth in comparable store sales and investments in infrastructure and technology to support the Company's strategic long-term growth initiatives. These SG&A increases were partially offset by leverage in occupancy and other costs from the increase in comparable store sales.

The effective income tax rate decreased to 22.8% in the second quarter of fiscal 2018 compared to 37.0% for the second quarter of fiscal 2017. The decrease for the second quarter of fiscal 2018 compared to the second quarter of fiscal 2017 was due primarily to the effect of the TCJA, which was signed into law in December 2017. In addition, income taxes were further reduced in the second quarter of fiscal 2018 by the realization of discrete federal and state tax credits. The Company expects the full fiscal year 2018 effective tax rate to be in a range between 23.0% and 23.5%.

As a result of the foregoing factors, net income for the second quarter of fiscal 2018 increased 29.0% to \$207.3 million, or \$1.69 per diluted share, as compared to net income of \$160.6 million, or \$1.25 per diluted share, for the second quarter of fiscal 2017.

Fiscal Six Months Ended June 30, 2018 and July 1, 2017

Net sales increased 8.8% to \$3.90 billion for the first six months of fiscal 2018 from \$3.58 billion for the first six months of fiscal 2017. Comparable store sales for the first six months of fiscal 2018 were \$3.75 billion, a 4.7% increase over the first six months of fiscal 2017. Fiscal 2018 contained one additional sales day when compared to the prior year as the Company was open on New Year's Day for the first time, which is estimated to have positively impacted the comparable stores sales performance in the first six months of fiscal 2018 by approximately 28 basis points. Comparable store sales increased 0.2% for the first six months of fiscal 2017.

For the first six months of fiscal 2018, the strong comparable store sales growth was broad-based across all merchandise divisions and all geographic regions. The growth in comparable store sales was led by strength in everyday merchandise, including consumable, usable and edible products, along with strong demand for our winter seasonal products in the first quarter and robust growth in spring seasonal categories during the second quarter.

In addition to comparable store sales growth in the first six months of fiscal 2018, sales from stores open less than one year were \$153.8 million for the first six months of fiscal 2018, which represented 4.3 percentage points of the 8.8% increase over the first six months of fiscal 2017 net sales. For the first six months of fiscal 2017, sales from stores open less than one year were \$222.4 million, which represented 6.7 percentage points of the 7.9% increase over the first six months of fiscal 2016 net sales. Acquired Petsense stores are considered comparable beginning in the fourth quarter of fiscal 2017.

The following table summarizes our store growth for the fiscal six months ended June 30, 2018 and July 1, 2017:

	Fiscal six months ended	
	June 30, 2018	July 1, 2017
<u>Tractor Supply</u>		
Store count, beginning of period	1,685	1,595
New stores opened	40	38
Stores closed	—	(3)
Store count, end of period	1,725	1,630
<u>Petsense</u>		
Store count, beginning of period	168	143
New stores opened	7	17
Stores closed	(1)	—
Store count, end of period	174	160
Consolidated store count, end of period	1,899	1,790
Stores relocated	2	1

The following table indicates the percentage of net sales represented by each of our major product categories for the fiscal six months ended June 30, 2018 and July 1, 2017:

Product Category:	Fiscal six months ended	
	June 30, 2018	July 1, 2017
Livestock and Pet	48%	48%
Hardware, Tools and Truck	21	21
Seasonal, Gift and Toy Products	21	20
Clothing and Footwear	6	6
Agriculture	4	5
Total	100%	100%

Gross profit increased 9.0% to \$1.33 billion for the first six months of fiscal 2018 from \$1.22 billion in the first six months of fiscal 2017. As a percent of net sales, gross margin increased seven basis points to 34.2% for the first six months of fiscal 2018 compared to 34.1% for the comparable period in fiscal 2017. The increase in gross margin was driven by the strength of the Company's price management program, strong sell through of winter and spring seasonal merchandise and reduced promotional activity, partially offset by an increase in freight expense due to higher carrier rates and increased diesel fuel prices.

Total SG&A expenses, including depreciation and amortization, increased 11.1% to \$964.9 million in the first six months of fiscal 2018 from \$868.6 million in the first six months of fiscal 2017. As a percent of net sales, SG&A expenses increased 51 basis points to 24.8% in the first six months of fiscal 2018 from 24.2% in the first six months of fiscal 2017. SG&A expenses increased as a percentage of net sales due principally to higher incentive compensation from the strong year-over-year growth in comparable store sales, investments in team member wages at both the stores and distribution centers, and investments in infrastructure and technology to support the Company's strategic long-term growth initiatives. These SG&A increases as a percent of net sales were partially offset by leverage in occupancy and other costs from the increase in comparable store sales.

For the first six months of fiscal 2018, the effective income tax rate decreased to 22.3% compared to 36.6% for the first six months of fiscal 2017. The decrease for the first six months of fiscal 2018 compared to the first six months of fiscal 2017 was due primarily to the effect of the TCJA, which was signed into law in December 2017. In addition, income taxes were further reduced in the first six months of fiscal 2018 by the realization of discrete federal and state tax credits. The Company expects the full fiscal year 2018 effective tax rate to be in a range between 23.0% and 23.5%.

As a result of the foregoing factors, net income for the first six months of fiscal 2018 increased 26.1% to \$278.7 million compared to \$221.0 million in the first six months of fiscal 2017. Net income per diluted share for the first six months of fiscal 2018 increased to \$2.25 from \$1.70 in the first six months of fiscal 2017.

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 facility capacity and improvements, information technology, inventory purchases, repayment of existing borrowings under our debt facilities, share repurchases, cash dividends and selective acquisitions as opportunities arise.

Our primary ongoing sources of liquidity are existing cash balances, cash provided from operations, remaining funds available under our debt facilities, 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.

The Company believes that its existing cash balances, expected cash flow from future operations, funds available under its debt facilities, 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 facility capacity, through the end of fiscal 2018.

Working Capital

At June 30, 2018, the Company had working capital of \$869.2 million, which increased \$63.0 million from December 30, 2017, and increased \$45.2 million from July 1, 2017. The shifts in working capital were attributable to changes in the following components of current assets and current liabilities (in millions):

	June 30, 2018	December 30, 2017	Variance	July 1, 2017	Variance
Current assets:					
Cash and cash equivalents	\$ 70.0	\$ 109.1	\$ (39.1)	\$ 67.8	\$ 2.2
Inventories	1,632.3	1,453.2	179.1	1,468.3	164.0
Prepaid expenses and other current assets	103.3	88.3	15.0	90.4	12.9
Income taxes receivable	5.1	4.8	0.3	4.0	1.1
Total current assets	1,810.7	1,655.4	155.3	1,630.5	180.2
Current liabilities:					
Accounts payable	649.7	576.6	73.1	510.8	138.9
Accrued employee compensation	22.8	31.6	(8.8)	14.3	8.5
Other accrued expenses	205.3	201.7	3.6	184.9	20.4
Current portion of long-term debt	25.0	25.0	—	20.0	5.0
Current portion of capital lease obligations	3.7	3.5	0.2	3.4	0.3
Income taxes payable	35.0	10.8	24.2	73.1	(38.1)
Total current liabilities	941.5	849.2	92.3	806.5	135.0
Working capital	\$ 869.2	\$ 806.2	\$ 63.0	\$ 824.0	\$ 45.2

In comparison to December 30, 2017, working capital as of June 30, 2018, was impacted most significantly by changes in inventories, accounts payable, cash and income taxes payable.

- The increase in inventories and accounts payable resulted primarily from the purchase of additional inventory to support new store growth as well as an increase in average inventory per store principally due to normal seasonal patterns.
- The decrease in cash is primarily due to the repurchase of common stock, capital expenditures and quarterly cash dividends, partially offset by cash provided by operations and incremental borrowings under our existing debt facilities.
- The increase in income taxes payable is due to the timing of tax payments.

In comparison to July 1, 2017, working capital as of June 30, 2018 was impacted most significantly by changes in 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. Additionally, average inventory per store increased slightly due to commodity inflation and increased

in-stock positions in select inventory categories. Accounts payable increased at a higher proportional rate than the increase in inventory which was due principally to the timing of payments.

- The decrease in income taxes payable is due to the timing of payments and a reduced year-over-year tax liability stemming from the impacts of the TCJA.

Debt

The following table summarizes the Company's outstanding debt as of the dates indicated (in millions):

	June 30, 2018	December 30, 2017	July 1, 2017
Senior Notes	\$ 150.0	\$ 150.0	\$ —
Senior Credit Facility:			
February 2016 Term Loan	170.0	180.0	185.0
June 2017 Term Loan	95.0	97.5	100.0
Revolving credit loans	128.0	—	170.0
Total outstanding borrowings	543.0	427.5	455.0
Less: unamortized debt issuance costs	(1.6)	(1.4)	(1.3)
Total debt	541.4	426.1	453.7
Less: current portion of long-term debt	(25.0)	(25.0)	(20.0)
Long-term debt	\$ 516.4	\$ 401.1	\$ 433.7
Outstanding letters of credit	\$ 39.9	\$ 39.6	\$ 44.3

For additional information about the Company's debt and credit facilities, refer to Note 5 to the Condensed Consolidated Financial Statements. Refer to Note 6 to the Condensed Consolidated Financial Statements for information about the Company's interest rate swap agreements.

Operating Activities

Operating activities provided net cash of \$274.0 million and \$227.5 million in the first six months of fiscal 2018 and fiscal 2017, respectively. The \$46.5 million increase in net cash provided by operating activities in the first six months of fiscal 2018 compared to the first six months of fiscal 2017 is due to changes in the following operating activities (in millions):

	Fiscal six months ended		
	June 30, 2018	July 1, 2017	Variance
Net income	\$ 278.7	\$ 221.0	\$ 57.7
Depreciation and amortization	86.4	80.8	5.6
Share-based compensation expense	16.4	15.1	1.3
Deferred income taxes	(2.3)	(7.7)	5.4
Inventories and accounts payable	(106.0)	(107.3)	1.3
Prepaid expenses and other current assets	(15.1)	0.1	(15.2)
Accrued expenses	(12.8)	(44.9)	32.1
Income taxes	23.9	67.3	(43.4)
Other, net	4.8	3.1	1.7
Net cash provided by operating activities	\$ 274.0	\$ 227.5	\$ 46.5

The \$46.5 million increase in net cash provided by operating activities in the first six months of fiscal 2018 compared with the first six months of fiscal 2017 resulted principally from incremental profitability, partially offset by the net impact of changes in our operating assets and liabilities which fluctuated due primarily to the timing of payments.

Investing Activities

Investing activities used cash of \$116.4 million and \$85.8 million in the first six months of fiscal 2018 and fiscal 2017, respectively. The increase in cash used for investing activities primarily reflects an increase in capital expenditures and a net reduction in cash proceeds from the sale of property and equipment of \$10.5 million in the first six months of fiscal 2018 compared to fiscal 2017. Capital expenditures for the first six months of fiscal 2018 and fiscal 2017 were as follows (in millions):

	Fiscal six months ended	
	June 30, 2018	July 1, 2017
Information technology	\$ 38.5	\$ 34.3
Distribution center capacity and improvements	33.8	6.3
New and relocated stores and stores not yet opened	32.8	35.2
Existing stores	11.5	20.7
Corporate and other	0.1	0.1
Total capital expenditures	<u>\$ 116.7</u>	<u>\$ 96.6</u>

The spending on information technology represents continued support of our store growth and our omni-channel platform, as well as improvements in security and compliance, enhancements to our customer relationship management program and other strategic initiatives.

Spending for distribution center capacity and improvements increased due to the expansion of our distribution center in Waverly, Nebraska, which was completed in the first quarter of fiscal 2018, and the ongoing construction of a new northeast distribution center in Frankfort, New York, which is expected to be operational by the first quarter of fiscal 2019.

In the first six months of fiscal 2018, the Company opened 40 new Tractor Supply stores compared to 38 new Tractor Supply stores during the first six months of fiscal 2017. The Company also opened seven new Petsense stores during the first six months of fiscal 2018, compared to 17 new Petsense stores during the first six months of fiscal 2017. We expect to open approximately 80 new Tractor Supply stores during fiscal 2018 compared to 101 new Tractor Supply stores in fiscal 2017. We also expect to open approximately 20 new Petsense stores during fiscal 2018 compared to 25 new Petsense stores in fiscal 2017. The reduction in new store openings in fiscal 2018 compared to fiscal 2017 principally reflects a shift in capital allocation toward investments in information technology and supply chain infrastructure to support our strategic long-term growth initiatives.

The decrease in capital expenditures related to existing stores is due to the cycling of spend related to our investment in the chain-wide LED lighting retrofit initiative which was completed in fiscal 2017.

Financing Activities

Financing activities used net cash of \$196.8 million and \$127.8 million in the first six months of fiscal 2018 and fiscal 2017, respectively. The \$69.0 million change in net cash from financing activities in the first six months of fiscal 2018 compared to the first six months of fiscal 2017 is due to changes in the following financing activities (in millions):

	Fiscal six months ended		
	June 30, 2018	July 1, 2017	Variance
Net borrowings and repayments under debt facilities	\$ 115.5	\$ 180.0	\$ (64.5)
Repurchase of common stock	(252.5)	(248.1)	(4.4)
Net proceeds from issuance of common stock	14.3	7.8	6.5
Cash dividends paid to stockholders	(71.4)	(65.9)	(5.5)
Other, net	(2.7)	(1.6)	(1.1)
Net cash used in financing activities	<u>\$ (196.8)</u>	<u>\$ (127.8)</u>	<u>\$ (69.0)</u>

The \$69.0 million change in net cash from financing activities in the first six months of fiscal 2018 compared with the first six months of fiscal 2017 is due to a decrease in borrowings, net of repayments, under our debt facilities.

Dividends

During the first six months of fiscal 2018 and 2017, the Board of Directors declared the following cash dividends:

Date Declared	Dividend Amount Per Share	Record Date	Date Paid
May 9, 2018	\$ 0.31	May 29, 2018	June 12, 2018
February 7, 2018	\$ 0.27	February 26, 2018	March 13, 2018
May 8, 2017	\$ 0.27	May 22, 2017	June 6, 2017
February 8, 2017	\$ 0.24	February 27, 2017	March 14, 2017

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 that the Board of Directors deems relevant.

On August 8, 2018, the Company's Board of Directors declared a quarterly cash dividend of \$0.31 per share of the Company's outstanding common stock. The dividend will be paid on September 11, 2018, to stockholders of record as of the close of business on August 27, 2018.

Share Repurchase Program

The Company's Board of Directors has authorized common stock repurchases under a share repurchase program up to \$3 billion, exclusive of any fees, commissions or other expenses related to such repurchases, through December 31, 2020. 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 approximately 1.5 million and 2.2 million shares of common stock under the share repurchase program for a total cost of \$95.1 million and \$133.6 million during the second quarters of fiscal 2018 and fiscal 2017, respectively. The Company repurchased approximately 3.8 million shares under the share repurchase program during the first six months of both fiscal 2018 and fiscal 2017 for a total cost of \$252.5 million and \$248.1 million, respectively. As of June 30, 2018, the Company had remaining authorization under the share repurchase program of \$0.62 billion, exclusive of any fees, commissions or other expenses.

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 30, 2018, the Company had contractual commitments of approximately \$30.0 million related to the ongoing construction of its new distribution center in Frankfort, New York. There were no material commitments related to real estate or construction projects extending greater than twelve months.

At June 30, 2018, there were \$39.9 million of outstanding letters of credit under the 2016 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 U.S. GAAP. 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	- Income tax contingencies
- Self-insurance reserves	- Impairment of long-lived assets
- Sales tax audit reserve	- Impairment of goodwill and other indefinite-lived intangible assets

See the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 30, 2017, 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.

New Accounting Pronouncements

Refer to Note 12 to the Condensed Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to interest rate changes, primarily as a result of borrowings under our 2016 Senior Credit Facility (as discussed in Note 5 to the unaudited condensed consolidated financial statements) which bear interest based on variable rates.

As discussed in Note 6 to the unaudited condensed consolidated financial statements, we entered into interest rate swap agreements which are intended to mitigate interest rate risk associated with future changes in interest rates for the term loan borrowings under the 2016 Senior Credit Facility. As a result of these interest rate swaps, our exposure to interest rate volatility is minimized. The interest rate swap agreements have been executed for risk management purposes and are not held for trading purposes.

A 1% change in interest rates on our variable rate debt in excess of that amount covered by the interest rate swaps would have affected interest expense by approximately \$0.7 million and \$0.8 million in the three months ended June 30, 2018 and July 1, 2017, respectively, and \$1.0 million and \$1.6 million in the six months ended June 30, 2018 and July 1, 2017, respectively.

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 30, 2018. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2018, 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is 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 for 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 30, 2017.

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 2018 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
April 1, 2018 - April 28, 2018	1,040,000	\$ 61.08	1,040,000	\$ 648,765,946
April 29, 2018 - May 26, 2018	250,000	69.58	250,000	631,374,262
May 27, 2018 - June 30, 2018	187,200	75.66	187,200	617,214,452
Total	<u>1,477,200</u>	\$ 64.37	<u>1,477,200</u>	\$ 617,214,452

Share repurchases were made pursuant to the share repurchase program described under Part I 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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit

- 10.1 [Tractor Supply Company 2018 Omnibus Incentive Plan \(filed as Exhibit A to Registrant's Proxy Statement on Schedule 14A for Registrant's Annual Meeting of Shareholders held on May 10, 2018, filed with the Commission on March 27, 2018, Commission File No. 000-23314, and incorporated herein by reference\).](#)
- 10.2* [Form of Nonqualified Stock Option Agreement under the Tractor Supply Company 2018 Omnibus Incentive Plan.](#)+
- 10.3* [Form of Restricted Share Unit Agreement under the Tractor Supply Company 2018 Omnibus Incentive Plan.](#)+
- 10.4* [Form of Performance Share Unit Agreement for Officers under the Tractor Supply Company 2018 Omnibus Incentive Plan.](#)+
- 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 2018, filed with the Securities and Exchange Commission on August 9, 2018, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at June 30, 2018, December 30, 2017 and July 1, 2017, (ii) the Condensed Consolidated Statements of Income for the fiscal three and six months ended June 30, 2018 and July 1, 2017, (iii) the Condensed Consolidated Statements of Comprehensive Income for the fiscal three and six months ended June 30, 2018 and July 1, 2017, (iv) the Condensed Consolidated Statements of Cash Flows for the fiscal six months ended June 30, 2018 and July 1, 2017, and (v) the Notes to Unaudited Condensed Consolidated Financial Statements.

* Filed herewith

+ Management contract or compensatory plan or arrangement

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 9, 2018

By: /s/ Kurt D. Barton

Kurt D. Barton

Senior Vice President - Chief Financial Officer and Treasurer

(Duly Authorized Officer and Principal Financial Officer)

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Section 2: EX-10.2 (EXHIBIT 10.2 FORM OF NONQUALIFIED STOCK OPTION AGREEMENT)

NON-QUALIFIED STOCK OPTION AGREEMENT

This STOCK OPTION AGREEMENT is between TRACTOR SUPPLY COMPANY, a Delaware corporation (the "Company"), and the above-referenced Participant (the "Optionee").

The Company's Compensation Committee (the "Committee") has determined that the objectives of the Company's 2018 Omnibus Incentive Plan (the "Plan") will be furthered by granting to the Optionee an option pursuant to the Plan.

In consideration of the foregoing and of the mutual undertakings set forth in this Stock Option Agreement (the "Agreement"), the Company and the Optionee hereby agree as follows:

Section 1. Grant of Option. The Company hereby grants to the Optionee a "nonqualified" stock option to purchase shares of the Common Stock of the Company as set forth above.

Section 2. Exercisability. Subject to Section 4 hereof, the option shall vest and become exercisable as follows:

33-1/3% on the first anniversary of the Grant Date

33-1/3% on the second anniversary of the Grant Date

33-1/3% on the third anniversary of the Grant Date

Section 3. Method of Option Exercise; Involuntary Option Cash-Out.

(a) The option or any part thereof may be exercised, with respect to whole shares only, by giving to the Company written notice of exercise or by contacting an authorized agent of Fidelity. Full payment of the purchase price shall be made on the option exercise date by cash, certified or official bank check or, in the Committee's discretion, (i) by personal check (subject to collection) payable to the Company, (ii) by the assignment of proceeds from the sale of Common Stock or the withholding of shares of Common Stock, in each case in the manner provided in Section 6.4(d) of the Plan or (iii) by delivery of shares of Common Stock already owned by the Optionee prior to the option exercise date. The Optionee shall have no right to pay the Exercise Price, or to receive shares of Common Stock with respect to an option exercise, prior to the option exercise date.

(b) At any time after the Company's receipt of notice of exercise and prior to the option exercise date, the Committee, in its sole discretion, shall have the right, by written notice to the Optionee, to cancel the option or any part thereof subject to the written notice of exercise if the Committee, in its sole judgment, determines that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Common Stock from, and/or the Optionee's sale of Common Stock to, the public markets illegal, impracticable or inadvisable. If the Committee determines to so cancel the option or any part thereof subject to the written notice of exercise, the Company shall pay to the Optionee an amount equal to the excess (if any) of (i) the aggregate Fair Market Value of the shares of Common Stock subject to the option or part thereof cancelled (determined as of the option exercise date) over (ii) the aggregate Exercise

Price of the shares of Common Stock subject to the option or part thereof cancelled. Such amount shall be delivered to the Optionee as soon as practicable after such option or part thereof is cancelled.

(c) If all or any portion of this option is exercisable on the expiration date and has a per share exercise price that is less than the Fair Market Value of a share of Common Stock on the expiration date, any remaining options shall be deemed to be automatically exercised on such day by means of a "net exercise", and the Optionee shall be entitled to receive the intrinsic value of the option on such date in shares of Common Stock, less the number of shares of Common Stock required for the required tax withholding.

Section 4. Termination of Employment or Service.

(a) General Rule. The non-vested portion of any option shall terminate and expire upon the Optionee's termination of employment or service for any reason except that upon termination of Optionee's employment or service as a result of (1) death or (2) Disability (as defined below), any unvested portion of the option granted hereunder shall vest in full as of the date of such termination. The vested portion of any option shall remain exercisable following termination of employment or service only under the circumstances and to the extent provided in this Section 4.

(b) Termination for Cause; Optionee Quits Employment. If the Optionee's employment or service is terminated for Cause or if the Optionee quits, whether or not he is a party to a written contract, the option granted hereunder shall immediately terminate and become void and of no effect on the day the Optionee's employment or service terminates.

(c) Regular Termination; Leaves of Absence. If the Optionee's employment or service terminates for reasons other than as provided in subsection (b) above or subsections (d) or (e) below, the vested portion of the option granted hereunder may be exercised until the earlier of (i) three months after the day his employment or service terminates and (ii) the date on which the option otherwise terminates or expires in accordance with the applicable provisions of the Plan and this Agreement; provided that the Committee may determine, in its sole discretion, such longer or shorter period for exercise (not to exceed the remaining term of the option) in the case of an individual whose employment or service terminates for reasons as provided herein in this subsection (c), or solely because his employer ceases to be an Affiliate or he transfers his employment or service with the Company's consent to a purchaser of a business disposed of by the Company. Subject to Section 4(e) below, the Committee may, in its discretion, determine (A) whether any leave of absence (including short-term or long-term disability or medical leave) constitutes a termination of employment or service within the meaning of the Plan and (B) the impact, if any, of any such leave on awards under the Plan theretofore made to an Optionee who takes any such leave.

(d) Death. In the event that the Optionee's employment or service terminates by reason of death, or if the Optionee's employment or service shall terminate as described in subsection (c) above and he dies within the period for exercise provided for therein, the vested portion of the option shall be exercisable by the person to whom the option has passed under the Optionee's will (or if applicable, pursuant to the laws of descent and distribution) until the earlier

of (i) one year after the Optionee's death and (ii) the date on which the option otherwise terminates or expires in accordance with the applicable provisions of the Plan and this Agreement.

(e) Disability. In the event that Optionee's employment or service terminates by reason of Disability (as defined below), the vested portion of the option granted hereunder shall be exercisable by Optionee until the earlier of (i) three years following the date of such termination of employment or service, and (ii) the date on which the option granted hereunder otherwise terminates or expires in accordance with the applicable provisions of the Plan and this Agreement. For purposes of this Agreement, "Disability" means a disability that would qualify as a total and permanent disability under the Company's then current long-term disability plan.

(f) Change in Control. Notwithstanding anything to the contrary contained herein, unless otherwise provided in another contractual agreement between the Company and Optionee, if within one year following a Change in Control, the Optionee's employment with the Company (or its successor) is terminated by reason of (i) Retirement or Early Retirement, (ii) for Good Reason by the Optionee or (iii) involuntary termination by the Company for any reason other than for Cause, all Options granted hereunder shall vest in full as of the date of such termination and remain exercisable until the earlier of (i) three months after the day his employment or service terminates and (ii) the date on which the option otherwise terminates or expires in accordance with the applicable provisions of the Plan and this Agreement. Notwithstanding the foregoing, in connection with a Change in Control, the Committee may, in its discretion, by resolution adopted prior to the occurrence of the Change in Control, provide that this Option shall, upon the occurrence of such Change in Control, be cancelled in exchange for a payment per share in an amount based on Fair Market Value of the shares of Common Stock with reference to the Change in Control less the Exercise Price, which amount may be zero (0) if applicable. For purposes of clarity, if the Fair Market Value is less than the Exercise Price at the time of such cancellation, the Grantee shall receive \$0, and no consideration shall be given to the time value of the options granted hereunder.

(g) Right of Discharge Reserved. Nothing in the Plan or this Agreement shall confer upon the Optionee or any other person the right to continue in the employment or service of the Company or any Affiliate or affect any right which the Company or any Affiliate may have to terminate the employment or service of the Optionee or any other person.

Section 5. Withholding Tax Requirements. If as a condition of delivery of shares of Common Stock upon the Optionee's exercise of an option granted hereunder the Committee determines that it is necessary or advisable to withhold an amount sufficient to satisfy any federal, state and other governmental withholding tax requirements related thereto, then the Optionee shall be required to satisfy all withholding tax requirements related to such option in accordance with Sections 6.4 and 15.6 of the Plan. By entering into this Agreement, the Optionee hereby agrees that, if the Committee shall make such determination, then (a) the Optionee shall remit the full amount necessary to satisfy such withholding tax requirements within 15 days after his receipt of a statement for such amount from the Committee (unless and to the extent that the Committee permits the Optionee to use the method of payment described in Sections 6.4(d) and 15.6 of the Plan), and (b) the Company shall be entitled to withhold the amount of any such tax requirements from any salary or other payments

due to the Optionee, and to refuse to recognize such option exercise until full satisfaction of such withholding tax requirements. The Optionee further agrees and acknowledges that all other taxes, duties and fees related to such option exercise are for the Optionee's own account and must be paid directly by the Optionee.

Section 6. Plan Provisions. This Agreement shall be subject to all of the terms and provisions of the Plan, which are hereby incorporated herein by reference and made a part hereof. Any term defined in the Plan shall have the same meaning in this Agreement as in the Plan, except as otherwise defined herein. In the event of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

Section 7. Optionee's Acknowledgements. By entering into this Agreement the Optionee agrees and acknowledges that (a) he has read a copy of the Plan, and accepts this option upon all of the terms thereof, and (b) no member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or this Agreement or any award thereunder or hereunder.

Section 8. Nontransferability. No right granted to the Optionee under the Plan or this Agreement shall be assignable or transferable by the Optionee (whether by operation of law or otherwise and whether voluntarily or involuntarily), other than by will or by the laws of descent and distribution. During the lifetime of the Optionee, all rights granted to the Optionee under the Plan or under this Agreement shall be exercisable only by the Optionee.

Section 9. Electronic Delivery and Electronic Signature. Notwithstanding anything contained in this Agreement to the contrary, the option may not be exercised until the Optionee has accepted this Agreement. Optionee hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports, and other related documents. If the Company establishes procedures for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), Optionee hereby consents to such procedures and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Optionee consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

Section 10. Notices. Any notice to be given to the Company hereunder shall be in writing and shall be addressed to the Corporate Controller of Tractor Supply Company at 5401 Virginia Way, Brentwood, Tennessee 37027, or at such other address as the Company may hereafter designate to the Optionee by notice as provided herein. Any notice to be given to the Optionee hereunder shall be addressed to the Optionee at the address set forth below or at such other address as the Optionee may hereafter designate to the Company by notice as provided herein. Notices hereunder shall be deemed to have been duly given when received by personal delivery or by registered or certified mail to the party entitled to receive the same.

Section 11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and, to the extent set

forth in Section 15.1 of the Plan and Section 8 hereof, the heirs and personal representatives of the Optionee.

Section 12. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Tennessee, without giving effect to the conflicts of laws principles thereof.

Section 13. Amendments to Option. Subject to the restrictions contained in the Plan, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the Option, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would adversely affect the rights of the Optionee or any holder or beneficiary of the Option shall not to that extent be effective without the consent of the Optionee, holder or beneficiary affected.

Section 14. . As used in this Agreement the following terms shall have the meaning set forth below:

(a) “Cause” for termination by the Company of the Optionee’s employment shall mean (i) Optionee’s failure or refusal to carry out the lawful directions of the Company, which are reasonably consistent with the responsibilities of the Optionee’s position; (ii) a material act of dishonesty or disloyalty by Optionee related to the business of the Company; (iii) Optionee’s conviction of a felony, a lesser crime against the Company, or any crime involving dishonest conduct; (iv) Optionee’s habitual or repeated misuse or habitual or repeated performance of the Optionee’s duties under the influence of alcohol or controlled substances; or (v) any incident materially compromising the Optionee’s reputation or ability to represent the Company with the public or any act or omission by the Optionee that substantially impairs the Company’s business, good will or reputation.

(b) “Change in Control” shall have the meaning provided in the Plan.

(c) “Early Retirement” shall mean retirement with the express consent of the Company at or before the time of such retirement, from active employment with the Company and any Subsidiary or Affiliate prior to having reached the age of 55 and ten years of service with the Company, in accordance with any applicable early retirement policy of the Company then in effect or as may be approved by the Committee.

(d) “Good Reason” means (i) a material reduction in a Optionee’s position, authority, duties or responsibilities, (ii) any reduction in a Optionee’s annual base salary as in effect immediately prior to a Change in Control; (iii) the relocation of the office at which the Optionee is to perform the majority of his or her duties following a Change in Control to a location more than 30 miles from the location at which the Optionee performed such duties prior to the Change in Control; or (iv) the failure by the Company or its successor to continue to provide the Optionee with benefits substantially similar in aggregate value to those enjoyed by the Optionee under any of the Company’s pension, life insurance, medical, health and accident or disability plans in which Optionee was participating immediately prior to a Change in Control, unless the Optionee is offered

participation in other comparable benefit plans generally available to similarly situated employees of the Company or its successor after the Change in Control.

(e) “Retirement” shall mean, retirement of Optionee from active employment with the Company or any of its Subsidiaries or Affiliates on or after such Optionee having reached the age of 55 and ten years of service with the Company.

Section 15. Severability. If any provision of this Agreement is or becomes, or is deemed to be, invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the option award, or would disqualify the Plan or the option award under any laws deemed applicable by the Committee, such provisions shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the option award, such provision shall be stricken as to such jurisdiction, Person or option award, and the remainder of the Plan and option award shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TRACTOR SUPPLY COMPANY

Gregory A. Sandfort
Chief Executive Officer

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Section 3: EX-10.3 (EXHIBIT 10.3 FORM OF RESTRICTED SHARE UNIT AGREEMENT)

RESTRICTED SHARE UNIT AGREEMENT

THIS RESTRICTED SHARE UNIT AGREEMENT, is made by and between Tractor Supply Company, a Delaware corporation hereinafter referred to as “Company,” and the above-referenced Participant (“Grantee”):

WHEREAS, the Company wishes to afford the Grantee the opportunity to acquire shares of Common Stock or their economic equivalent; and

WHEREAS, the Company wishes to carry out the Company’s 2018 Omnibus Incentive Plan (the “Plan”) (the terms of which are hereby incorporated by reference and made a part of this Restricted Share Unit Agreement); and

WHEREAS, the Compensation Committee of the Board of Directors (the “Committee”), appointed to administer the Plan, has determined that it would be to the advantage and best interest of the Company and its shareholders to grant Restricted Share Units, as defined in Section 2(x) of the Plan, provided for herein to the Grantee as an inducement to enter into or remain in the service of the Company or its Subsidiaries and as an incentive for increased efforts during such service, and has advised the Company thereof and instructed the undersigned officer to issue said Restricted Share Units;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

SECTION 1. Grant of Restricted Share Units

1.1 Grant of Restricted Share Units. In consideration of the Grantee's agreement to provide services to the Company or its Subsidiaries, and for other good and valuable consideration, on the date listed hereof the Company irrevocably grants to the Grantee the number of Restricted Share Units set forth above, subject to the conditions described in Section 2 as well as the other provisions of this Restricted Share Unit Agreement and the terms of the Plan.

1.2 Adjustments in Restricted Share Units. The Committee shall make adjustments with respect to this Restricted Share Units grant in accordance with the provisions of Section 4.2 of the Plan.

SECTION 2. Vesting

2.1 Vesting of Restricted Share Units. Subject to Sections 2.2 and 2.3, 100% of the Restricted Share Units awarded under this Restricted Share Unit Agreement shall vest upon the third anniversary of the date of this Restricted Share Unit Agreement (the "Normal Vesting Date"); provided, however, the Committee may determine, in its sole discretion, that certain Restricted Share Units may vest earlier than upon the third anniversary of the date of this Restricted Share Unit Agreement.

2.2 Acceleration of Vesting.

(a) In the event of a termination of employment resulting from a Grantee's death or Disability (as defined below), any unvested Restricted Share Units granted hereunder shall vest in full as of the date of such termination. For purposes of this Restricted Share Unit Agreement, "Disability" means a disability that would qualify as a total and permanent disability under the Company's then current long-term disability plan.

(b) Notwithstanding Section 2.1, unless otherwise provided in another contractual agreement between the Company and Grantee, if within one year following a Change in Control, the Grantee's employment with the Company (or its successor) is terminated by reason of (i) Retirement or Early Retirement, (ii) for Good Reason by the Grantee or (iii) involuntary termination by the Company for any reason other than for Cause, all Restricted Share Units granted hereunder shall vest in full as of the date of such termination.

2.3 Risk of Forfeiture. Subject to Sections 2.1 and 2.2, upon a termination of employment with the Company, Grantee shall forfeit any non-vested Restricted Share Units.

2.4 Conditions to Issuance of Stock Certificates. Any shares of Company Stock deliverable upon the settlement of Restricted Share Units may be either previously authorized but unissued shares of Common Stock or issued shares of Common Stock which have then been reacquired by the Company. Such shares of Common Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any certificate or certificates for shares of Common Stock upon the settlement of Restricted Share Units or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed; and

(b) The completion of any registration or other qualification of such shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Committee shall, in its sole discretion, deem necessary or advisable; and

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable; and

(d) The receipt by the Company of full payment of all amounts which, under federal, state or local tax law, the Company (or Subsidiary) is required to withhold upon the settlement of the Restricted Share Units.

SECTION 3. Payment of Restricted Share Units

3.1 Timing of Payment of Restricted Share Units. Restricted Share Units shall be paid in accordance with the following:

(a) To the extent Restricted Share Units vest under Section 2.1, such Restricted Share Units shall be paid upon the Normal Vesting Date (or, if applicable, on such earlier date on which the Committee determines the Restricted Share Units shall vest pursuant to Section 2.1).

(b) To the extent Restricted Share Units vest under Section 2.2, such Restricted Share Units shall be paid upon termination of employment.

3.2 Form of Payment. Vested Restricted Share Units shall be paid in shares of Company Stock.

SECTION 4. Other Provisions

4.1 Administration. The Committee shall have the power to interpret the Plan and this Restricted Share Unit Agreement and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret, amend, or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon the Grantee, the Company, and all other interested persons. No member of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or the Restricted Share Units. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Restricted Share Unit Agreement except with respect to matters which under Rule 16b-3, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

4.2 Restricted Share Units Not Transferable. Neither the Restricted Share Units nor any interest or right therein or part thereof shall be sold, pledged, alienated, assigned, or otherwise transferred or encumbered other than by will or the laws of descent and distribution, unless and until the shares underlying such Restricted Share Units have been issued, and all restrictions applicable to such shares have lapsed. Neither the Restricted Share Units nor any interest or right therein or part thereof shall be liable for the debts, contracts, or engagements of the Grantee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment, or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect.

4.3 Shares to Be Reserved. The Company shall at all times during the term of the Restricted Share Units reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Restricted Share Unit Agreement.

4.4 Notices. Any notice to be given under the terms of this Restricted Share Unit Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Grantee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 4.4, either party may hereafter designate a different address for notices to be given to him. Any notice which is required to be given to the Grantee shall, if the Grantee is then deceased, be given to the Grantee's personal representative if such

representative has previously informed the Company of his status and address by written notice under this Section 4.4. Any notice shall be deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

4.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Restricted Share Unit Agreement.

4.6 Construction. This Restricted Share Unit Agreement shall be administered, interpreted, and enforced under the internal laws of the State of Tennessee without regard to conflicts of laws thereof.

4.7 Severability. In the event that any provision of this Restricted Share Unit Agreement shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of this Restricted Share Unit Agreement and this Restricted Share Unit Agreement shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

4.8 Conformity to Securities Laws. The Grantee acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including, without limitation, the applicable exemptive conditions of Rule 16b-3. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Restricted Share Units are granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Restricted Share Unit Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

4.9 Withholding of Taxes. Company shall have the right to (i) make deductions from the number of shares of Common Stock otherwise deliverable to the Grantee under this Restricted Share Unit Agreement in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law provided; that, such amount shall not exceed the applicable maximum statutory withholding requirements, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

4.10 Electronic Delivery and Electronic Signature. Grantee hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports, and other related documents. If the Company establishes procedures for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), Grantee hereby consents to such procedures and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Grantee consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

4.11 Inconsistencies between Plan Terms and Terms of Restricted Share Unit Agreement. If there is any inconsistency between the terms of this Restricted Share Unit Agreement

and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Restricted Share Unit Agreement.

4.12 Grantee's Acknowledgements. By entering into this Agreement the Grantee agrees and acknowledges that (a) he has read a copy of the Plan, and accepts this grant of Restricted Share Units upon all of the terms thereof, and (b) no member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or this Agreement or any award thereunder or hereunder.

4.13 No Guarantee of Employment. Nothing in this Restricted Share Unit Agreement or in the Plan shall confer upon the Grantee any right to continue in the employ of the Company or any Subsidiary, or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which are hereby expressly reserved, to discharge the Grantee at any time for any reason whatsoever, with or without cause.

4.14 Amendments or Termination. Subject to the restrictions contained in the Plan, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the Restricted Share Unit Agreement, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would adversely affect the rights of the Grantee or any holder or beneficiary of the Restricted Share Units shall not to that extent be effective without the consent of the Grantee, holder or beneficiary affected. Notwithstanding any other provision of the Plan or this Restricted Share Unit Agreement, the Company may terminate this Restricted Share Unit Agreement and either issue shares of Common Stock deliverable upon vesting hereunder or pay the Grantee cash for the Restricted Share Units based upon the Fair Market Value of the shares of Common Stock subject hereto at the time of such termination in accordance with Section 1.409A-3(j)(4)(ix) of the Treasury Regulations.

4.15 Section 409A. The parties acknowledge and agree that, to the extent applicable, this Restricted Share Unit Agreement shall be interpreted in accordance with, and the parties agree to use their best efforts to achieve timely compliance with, Section 409A of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), and the Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Grant Date. Notwithstanding any provision of this Restricted Share Unit Agreement to the contrary, in the event that the Company determines that any compensation or benefits payable or provided under this Restricted Share Unit Agreement may be subject to Section 409A of the Code, the Company, with the Grantee's consent, may adopt such limited amendments to this Restricted Share Unit Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Company reasonably determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Restricted Share Unit Agreement from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Restricted Share Unit Agreement or (ii) comply with the requirements of Section 409A of the Code. In furtherance of the foregoing, to the maximum extent permitted by applicable law, the settlement of the Restricted Share Units (including any dividend equivalent rights) to be made to the Grantee pursuant to this

Agreement is intended to qualify as a “short-term deferral” pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, under certain circumstances, settlement of the Restricted Share Units or any dividend equivalent rights may not so qualify, and in that case, the Company shall administer the grant and settlement of such Restricted Share Units and any dividend equivalent rights in strict compliance with Section 409A of the Code. Further, notwithstanding anything herein to the contrary, if at the time of the Grantee’s termination of employment with the Company, the Grantee is a “specified employee” as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Grantee) to the minimum extent necessary to satisfy Section 409A of the Code until the date that is six months and one day following the Grantee’s termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of employment.

Notwithstanding any other provision of this Restricted Share Unit Agreement, to the extent the delivery of the shares represented by this Restricted Share Unit Agreement is treated as non-qualified deferred compensation subject to Section 409A of the Code, then no delivery of such shares shall be made upon the Grantee’s termination of employment unless such termination of employment constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations.

Although the Company intends to administer this Restricted Share Unit Agreement so that the Award will be exempt from, or will be interpreted and comply with, the requirements of Section 409A of the Code, the Company does not warrant that the Award made under this Restricted Share Unit Agreement will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to the Grantee for any tax, interest, or penalties that Grantee might owe as a result of the Award made under this Restricted Share Unit Agreement.

4.16 Definitions. As used in this Restricted Share Unit Agreement the following terms shall have the meaning set forth below:

(a) “Cause” for termination by the Company of the Grantee’s employment shall mean (i) Grantee’s failure or refusal to carry out the lawful directions of the Company, which are reasonably consistent with the responsibilities of the Grantee’s position; (ii) a material act of dishonesty or disloyalty by Grantee related to the business of the Company; (iii) Grantee’s conviction of a felony, a lesser crime against the Company, or any crime involving dishonest conduct; (iv) Grantee’s habitual or repeated misuse or habitual or repeated performance of the Grantee’s duties under the influence of alcohol or controlled substances; or (v) any incident materially compromising the Optionee’s reputation or ability to represent the Company with the public or any act or omission by the Grantee that substantially impairs the Company’s business, good will or reputation.

(b) “Change in Control” shall have the meaning provided in the Plan.

(c) “Early Retirement” shall mean retirement with the express consent of the Company at or before the time of such retirement, from active employment with the Company and any Subsidiary or Affiliate prior to having reached the age of 55 and ten years of service with the Company, in accordance with any applicable early retirement policy of the Company then in effect or as may be approved by the Committee.

(d) “Good Reason” means (i) a material reduction in a Grantee’s position, authority, duties or responsibilities, (ii) any reduction in a Grantee’s annual base salary as in effect immediately prior to a Change in Control; (iii) the relocation of the office at which the Grantee is to perform the majority of his or her duties following a Change in Control to a location more than 30 miles from the location at which the Grantee performed such duties prior to the Change in Control; or (iv) the failure by the Company or its successor to continue to provide the Grantee with benefits substantially similar in aggregate value to those enjoyed by the Grantee under any of the Company’s pension, life insurance, medical, health and accident or disability plans in which Grantee was participating immediately prior to a Change in Control, unless the Grantee is offered participation in other comparable benefit plans generally available to similarly situated employees of the Company or its successor after the Change in Control.

(e) “Retirement” shall mean, retirement of Grantee from active employment with the Company or any of its Subsidiaries or Affiliates on or after such Grantee having reached the age of 55 and ten years of service with the Company.

IN WITNESS WHEREOF, this Restricted Share Unit Agreement has been executed and delivered by the parties hereto.

TRACTOR SUPPLY COMPANY

Gregory A. Sandfort
Chief Executive Officer

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Section 4: EX-10.4 (EXHIBIT 10.4 FORM OF PERFORMANCE SHARE UNIT AGREEMENT)

Tractor Supply Company Performance Share Unit Agreement

This PERFORMANCE SHARE UNIT AGREEMENT (this “Agreement”) is made and entered into as of the ____ day of _____, 20__ (the “Grant Date”), between Tractor Supply Company, a Delaware corporation (together with its Subsidiaries and Affiliates, as applicable, the “Company”), and **[Participant Name]** (the “Grantee”). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Company’s 2018 Omnibus Incentive Plan (the “Plan”).

WHEREAS, the Company has adopted the Plan, which permits the issuance of Performance Awards, including an award that provides the right to receive Shares upon the satisfaction of performance objectives or other conditions (a “Performance Share Unit”); and

WHEREAS, the Compensation Committee of the Board of Directors of the Company or a subcommittee thereof (or if no such committee is appointed, the Board of Directors of the Company) (each, the “Committee”) has determined that Grantee is entitled to an award of Performance Share Units under the Plan;

than by will or the laws of descent and distribution. Any sale, assignment, transfer, pledge, hypothecation, loan or other disposition other than in accordance with this Section 1.2 shall be null and void.

2. Vesting and Payment.

2.1 General. Except as provided in Section 2.2, Section 2.3 or Section 2.4, the Award shall vest, if at all, (a) 33% on the first anniversary of the Grant Date, or if later, the date on which the Committee determines the extent to which the performance targets set forth on Exhibit A have been achieved (the “First Vesting Date”), 33% on the second anniversary of the Grant Date, and (c) 34% on the third anniversary of the Grant Date (each such vesting date, a “Normal Vesting Date”), but only if and to the extent: (x) the Company has achieved the performance targets over the period (the “Performance Period”) set forth on Exhibit A attached hereto, and (y) the Grantee has remained in service with the Company continuously until each applicable Normal Vesting Date. The number of PSUs that vest may be greater than or less than the Target Award, as more specifically set forth on Exhibit A.

2.2 Death; Disability.

a. Notwithstanding Section 2.1, in the event the Grantee’s employment with the Company terminates prior to the final Normal Vesting Date on account of Grantee’s death, Grantee (or the Grantee’s estate) shall immediately become vested in the number of PSUs that would have vested had Grantee remained employed with the Company continuously until the last Normal Vesting Date; provided, that in the event Grantee’s death occurs prior to the First Vesting Date, any PSUs that vest pursuant to this Section 2.2(a) shall not be settled until the Committee determines the number of PSUs that should vest based on the extent to which the performance targets will have been achieved in accordance with Exhibit A attached hereto.

b. Notwithstanding Section 2.1, in the event the Grantee’s employment with the Company terminates prior to the final Normal Vesting Date on account of Grantee’s Permanent Disability, Grantee (or the Grantee’s legal representative) shall immediately become vested in the number of PSUs that would have vested had Grantee remained employed with the Company continuously until the last Normal Vesting Date; provided, that in the event Grantee’s Permanent Disability occurs prior to the First Vesting Date, any PSUs that vest pursuant to this Section 2.2(b) shall not be settled until the Committee determines the number of PSUs that should vest based on the extent to which the performance targets will have been achieved in accordance with Exhibit A attached hereto. For purposes of this Agreement, “Permanent Disability” shall have the meaning set forth in the long-term disability plan of the Company.

2.3 Termination of Employment. Except as provided in Section 2.2, Section 2.4 or as otherwise provided by the Committee, if the Grantee’s service as an employee of the Company terminates for any reason, the Grantee shall forfeit all rights with respect to all PSUs that are not vested on such date.

2.4 Change in Control. Upon the occurrence of a Change in Control,

a. In the event the entity surviving the Change in Control (together with its Affiliates, the “Successor”) assumes the Award granted hereby, (1) any in process Performance Periods shall end upon the date immediately preceding the Change in Control, (2) the number of PSUs that shall be (A) eligible to vest shall be the Target Award, if the Change in Control occurs prior to the end of the Performance Period, or (B) the remaining number of PSUs that are eligible to vest if the Change in Control occurs after the end of the Performance Period, (3) any PSUs that are eligible to vest pursuant to (2) above shall vest on their applicable Normal Vesting Date, provided the Grantee remains employed with the Successor until such Normal Vesting Date, and (4) notwithstanding Section 2.3 or the immediately preceding clause (3) of this paragraph, in the event the Grantee’s employment with the Successor is terminated without Cause by the Successor, or terminates for Good Reason by the Grantee or on account of Grantee’s death, Disability, Retirement or Early Retirement, within one year following a Change in Control and prior to a Normal Vesting Date, the number of PSUs otherwise eligible to vest pursuant to this paragraph shall immediately vest and be released to the Grantee (or Grantee’s estate or other legal representative) upon the Grantee’s termination of employment.

b. In the event the Successor does not assume the Award granted hereby, a number of PSUs equal to (1) the Target Award, if the Performance Period has not ended prior to the Change in Control, or (2) the actual number of PSUs that would have vested on each subsequent Normal Vesting Date, if the date of the Change in Control occurs after the end of the Performance Period, shall vest as of the effective date of the Change in Control and the appropriate number of Shares shall be released in accordance with Section 2.5.

c. For purposes of this Agreement the following terms shall have the meaning set forth below:

(i) “Cause” means (A) Grantee’s failure or refusal to carry out the lawful directions of the Company, which are reasonably consistent with the responsibilities of the Grantee’s position; (B) a material act of dishonesty or disloyalty by Grantee related to the business of the Company; (C) Grantee’s conviction of a felony, a lesser crime against the Company, or any crime involving dishonest conduct; (D) Grantee’s habitual or repeated misuse or habitual or repeated performance of the Grantee’s duties under the influence of alcohol or controlled substances; or (E) any incident materially compromising the Grantee’s reputation or ability to represent the Company with the public or any act or omission by the Grantee that substantially impairs the Company’s business, good will or reputation.

(ii) “Change in Control” shall have the meaning provided in the Plan.

(iii) “Early Retirement” means any retirement with the express consent of the Company at or before the time of such retirement, from active employment with the Company prior to having reached the age of 55 and ten years of service

with the Company, in accordance with any applicable early retirement policy of the Company then in effect or as may be approved by the Committee.

(iv) “Good Reason” means (A) a material reduction in a Grantee’s position, authority, duties or responsibilities, (B) any reduction in a Grantee’s annual base salary as in effect immediately prior to a Change in Control; (C) the relocation of the office at which the Grantee is to perform the majority of his or her duties following a Change in Control to a location more than 30 miles from the location at which the Grantee performed such duties prior to the Change in Control; or (D) the failure by the Company or the Successor to continue to provide the Grantee with benefits substantially similar in aggregate value to those enjoyed by the Grantee under any of the Company’s pension, life insurance, medical, health and accident or disability plans in which Grantee was participating immediately prior to a Change in Control, unless the Grantee is offered participation in other comparable benefit plans generally available to similarly situated employees of the Company or its Successor after the Change in Control.

(v) “Retirement” means retirement of Grantee from active employment with the Company on or after such Grantee having reached the age of 55 and ten years of service with the Company.

2.5 Settlement. Grantee shall be entitled to settlement of the PSUs covered by this Agreement at the time that such PSUs vest pursuant to Section 2.1, Section 2.2 or Section 2.4, as applicable. Such settlement shall be made as promptly as practicable thereafter (but in no event after the thirtieth day following the applicable Normal Vesting Date), through the issuance to the Grantee (or to the executors or administrators of Grantee’s estate in the event of the Grantee’s death) of a stock certificate (or evidence such Shares have been registered in the name of the Grantee with the relevant stock agent) for a number of Shares equal to the number of such vested PSUs. Notwithstanding anything in this Agreement to the contrary, if Grantee’s employment terminates for Cause prior to the date on which Shares are delivered, Grantee shall forfeit all of the PSUs.

2.6 Withholding Obligations. Except as otherwise provided by the Committee, upon the settlement of any PSUs subject to this Award, the Company shall reduce the number of Shares that would otherwise be issued to the Grantee upon settlement of the Award by a number of Shares having an aggregate Fair Market Value on the date of such issuance equal to the payment to satisfy the withholding tax obligation of the Company with respect to which the Award is being settled, as determined by the Committee (but in no event greater than the maximum withholding rate applicable to wages of the Grantee).

3. Dividend Rights.

The Grantee shall not be entitled to any dividend equivalent rights in respect of the PSUs covered by this Award.

4. No Right to Continued Service.

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right to continue service an officer or employee of the Company.

5. Adjustments.

The provisions of Section 4.2 of the Plan are hereby incorporated by reference, and the PSUs are subject to such provisions. Any determination made by the Committee or the Board pursuant to such provisions shall be made in accordance with the provisions of the Plan and shall be final and binding for all purposes of the Plan and this Agreement.

6. Administration Subject to Plan.

The Grantee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. The terms of this Agreement are governed by the terms of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Grantee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award.

7. Modification of Agreement.

Subject to the restrictions contained in the Plan, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the Award, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would adversely affect the rights of the Grantee or any holder or beneficiary of the Award in more than a *de minimis* way shall not to that extent be effective without the consent of the Grantee, holder or beneficiary affected.

8. Section 409A.

Notwithstanding anything herein to the contrary, to the maximum extent permitted by applicable law, the settlement of the PSUs to be made to the Grantee pursuant to this Agreement is intended to qualify as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, under certain circumstances, settlement of the PSUs may not so qualify, and in that case, the Committee shall administer the grant and settlement of such PSUs in strict compliance with Section 409A of the Code. Further, notwithstanding anything herein to the contrary, if at the time of a Participant's termination of employment with the Company and all Service Recipients, the Participant is a "specified employee" as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Participant) to the minimum extent necessary to satisfy Section 409A of the Code

until the date that is six months and one day following the Participant's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of employment. For purposes of this Agreement, a "termination of employment" shall have the same meaning as "separation from service" under Section 409A of the Code and Grantee shall be deemed to have remained employed so long as Grantee has not "separated from service" with the Company or Successor. Each payment of PSUs constitutes a "separate payment" for purposes of Section 409A of the Code.

Although the Company intends to administer this Performance Share Unit Agreement so that the Award will be exempt from, or will be interpreted and comply with, the requirements of Section 409A of the Code, the Company does not warrant that the Award made under this Performance Share Unit Agreement will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to the Grantee for any tax, interest, or penalties that Grantee might owe as a result of the Award made under this Performance Share Unit Agreement.

9. Severability.

If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

10. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee without giving effect to the conflicts of law principles thereof, except to the extent that such laws are preempted by Federal law.

11. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee's heirs, executors, administrators and successors.

12. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Company for all purposes.

13. Notices.

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary or its designee, and any notice to be given to the Grantee shall be addressed to him at the address (including an electronic address) then reflected in the Company's books and records. By a notice given pursuant to this Section 13, either party may hereafter designate a different address for notices to be given to him. Any notice, which is required to be given to the Grantee, shall, if the Grantee is then deceased, be given to the Grantee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 13. Any notice shall have been deemed duly given when (i) delivered in person, (ii) delivered in an electronic form approved by the Company, (iii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service, or (iv) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with fees prepaid) in an office regularly maintained by FedEx, UPS, or comparable non-public mail carrier.

IN WITNESS WHEREOF, the parties have caused this Performance Share Unit Agreement to be duly executed effective as of the day and year first above written.

Tractor Supply Company

By: _____

Grantee:

(electronically accepted)

**Tractor Supply Company
2018 Performance Share Unit Award
Performance Targets**

1. Target Award. The target number of PSUs for the Grantee is as set forth on the first page of the Award Agreement. For the avoidance of doubt, all percentages associated with the Award shall be of the Target Award.

2. Performance Period. The Performance Period for this Award shall begin on _____ and end on _____.

3. Performance Goal. The “Performance Goals” for this Award are based on (a) Total Revenue over the Performance Period, and (b) Diluted EPS over the Performance Period.

4. Definitions. For purposes of this Award,

“Diluted EPS” means the Company’s consolidated net income per share – diluted determined according to accounting principles generally accepted in the United States (“U.S. GAAP”) and reported on the Company’s Annual Report on Form 10-K for the applicable year. In determining the Company’s net income per share - diluted for purposes of this Award, the Committee may make any adjustments permitted by Section 11 of the Plan.

“Total Revenue” means the Company’s consolidated net sales determined according to U.S. GAAP and reported on the Company’s Annual Report on Form 10-K for the applicable year. In determining the Company’s consolidated net sales for purposes of this Award, the Committee may make any adjustments permitted by Section 11 of the Plan.

5. Percentage of Performance Share Units Earned. Following the end of the Performance Period, the Committee will determine the extent to which Performance Share Units will have become eligible to vest and settle according to the following schedules:

(A) Diluted EPS Performance Units. Fifty percent of the number of Performance Share Units of the Target Award shall be subject to the Diluted EPS Performance Goal. The percentage of such Performance Share Units that may be earned and become vested with Diluted EPS performance is as follows:

Diluted EPS	Percentage of Diluted EPS Target Award Performance Units Earned
	200%
	100%
	50%

(B) Total Revenue Performance Units. Fifty percent of the number of Performance Share Units of the Target Award shall be subject to the Total Revenue Performance Goal. The percentage of such Performance Share Units that may be earned and become vested with Total Revenue performance is as follows:

Total Revenue	Percentage of Total Revenue Target Award Performance Units Earned
	200%
	100%
	50%

Vesting related to performance between the percentiles listed in (A) and (B) above will be determined by straight line interpolation.

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Section 5: EX-31.1 (EXHIBIT 31.1 SECTION 302 CEO CERTIFICATION)

Exhibit 31.1

CERTIFICATIONS

I, Gregory A. Sandfort, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tractor Supply Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial

reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Gregory A. Sandfort

Gregory A. Sandfort

Chief Executive Officer

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Section 6: EX-31.2 (EXHIBIT 31.2 SECTION 302 CFO CERTIFICATION)

Exhibit 31.2

CERTIFICATIONS

I, Kurt D. Barton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tractor Supply Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Kurt D. Barton

Kurt D. Barton

Senior Vice President - Chief Financial Officer and Treasurer

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Section 7: EX-32.1 (EXHIBIT 32.1 SECTION 906 CERTIFICATION)

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

In connection with the Quarterly Report (“Report”) of Tractor Supply Company (the “Company”) on Form 10-Q for the fiscal quarter ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof, we, Gregory A. Sandfort, Chief Executive Officer, and Kurt D. Barton, Chief Financial Officer and Treasurer, of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350), that:

- (1) The Report fully complies with the requirements of section 13(a) and 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2018

/s/ Gregory A. Sandfort
Gregory A. Sandfort
Chief Executive Officer

/s/ Kurt D. Barton
Kurt D. Barton
Senior Vice President - Chief Financial Officer and Treasurer

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