

# FASTENAL CO. NDQ-FAST

RECENT PRICE **47.37** P/E RATIO **24.9** (Trailing: 28.7; Median: 30.0) RELATIVE P/E RATIO **1.59** DIV'D YLD **1.1%** VALUE LINE

**TIMELINESS** 2 Lowered 11/2/07  
**SAFETY** 3 New 7/19/06  
**TECHNICAL** 2 Raised 7/4/08  
**BETA** 1.30 (1.00 = Market)

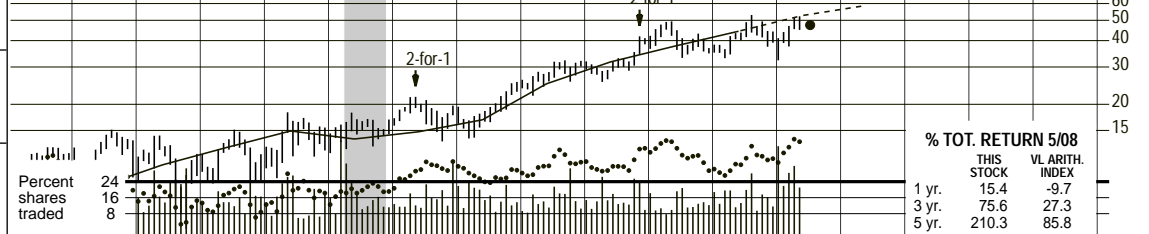
High: 15.1 14.2 15.1 18.3 18.3 21.7 25.5 32.3 42.0 49.3 52.9 52.3  
 Low: 7.7 5.1 8.4 8.9 11.7 13.3 13.8 21.9 25.5 33.2 33.1 32.3

**LEGENDS**  
 — 24.5 x "Cash Flow" p sh  
 ... Relative Price Strength  
 2-for-1 split 3/95  
 2-for-1 split 5/02  
 2-for-1 split 11/05  
 Options: Yes  
 Shaded area indicates recession

**2011-13 PROJECTIONS**  
 Ann'l Total  
 Price Gain Return  
 High 105 (+120%) 23%  
 Low 70 (+50%) 12%

**Insider Decisions**  
 A S O N D J F M A  
 to Buy 0 1 1 1 0 1 0 0 0  
 Options 0 0 0 0 0 0 0 0 0  
 to Sell 2 0 0 0 0 0 0 0 1

**Institutional Decisions**  
 3Q2007 4Q2007 1Q2008  
 to Buy 125 163 154  
 to Sell 139 131 149  
 Hlds(000) 114881 116613 118792



1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
.54	.73	1.07	1.47	1.90	2.62	3.32	4.01	4.91	5.39	5.97	6.56	8.16	10.08	11.97	13.83	15.95	18.15	Sales per sh	27.05
.07	.10	.15	.22	.26	.33	.42	.51	.61	.56	.60	.69	1.02	1.30	1.54	1.81	2.15	2.40	"Cash Flow" per sh	3.55
.06	.08	.12	.18	.22	.27	.35	.43	.53	.46	.50	.56	.87	1.10	1.32	1.55	1.90	2.15	Earnings per sh <sup>A</sup>	3.25
.01	.01	.01	.01	.01	.01	.01	.01	.02	.02	.03	.11	.20	.31	.40	.44	.52	.60	Div'ds Decl'd per sh <sup>B</sup>	.90
.25	.33	.45	.62	.83	1.09	1.43	1.86	2.37	2.80	3.29	3.80	4.51	5.19	6.10	6.77	8.05	9.55	Book Value per sh	15.60
151.75	151.75	151.75	151.75	151.75	151.75	151.75	151.75	151.75	151.75	151.75	151.75	151.75	151.05	151.21	149.12	149.00	148.75	Common Shs Outst'g <sup>C</sup>	148.00
36.7	39.8	37.4	41.9	48.4	43.5	29.9	25.9	25.8	32.4	36.7	34.1	32.2	28.7	30.4	26.6	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	27.0
2.23	2.35	2.45	2.80	3.03	2.51	1.56	1.48	1.68	1.66	2.00	1.94	1.70	1.53	1.64	1.40			Relative P/E Ratio	1.80
.2%	.1%	.1%	.1%	.1%	.1%	.1%	.1%	.1%	.2%	.1%	.6%	.7%	1.0%	1.0%	1.1%			Avg Ann'l Div'd Yield	1.0%

**CAPITAL STRUCTURE as of 3/31/08**

Total Debt None

Leases, Uncapitalized Annual rentals \$90.4 mill.

No Defined Benefit Pension Plan

Preferred Stock None

Common Stock 149,120,712 shares as of 4/20/08

MARKET CAP: \$7.0 billion (Large Cap)

**CURRENT POSITION**

(\$MILL.)	2006	2007	3/31/08
Cash Assets	30.2	57.4	75.4
Receivables	209.5	236.3	273.4
Inventory (FIFO)	456.0	504.6	494.4
Other	72.1	82.5	75.2
Current Assets	767.8	880.8	918.4
Accts Payable	41.4	55.4	59.6
Debt Due	62.5	82.4	107.5
Other	103.9	137.8	167.1
Current Liab.			

503.1	609.2	745.7	818.3	905.4	994.9	1238.5	1523.3	1809.3	2061.8	2375	2700	Sales (\$mill)	4000
54.7%	54.3%	53.7%	52.2%	51.4%	51.2%	52.3%	51.7%	52.0%	52.3%	51.2%	52.3%	Gross Margin	54.0%
19.5%	19.3%	18.9%	15.5%	14.4%	15.7%	18.7%	19.5%	19.5%	20.1%	20.7%	20.7%	Operating Margin	21.0%
766	809	897	1025	1169	1314	1533	1755	2000	2160	2325	2500	Number of Stores	3025
53.0	65.5	80.7	70.1	74.8	84.1	131.0	166.8	199.0	232.6	280	320	Net Profit (\$mill)	480
38.5%	38.5%	38.6%	38.3%	38.3%	38.3%	37.1%	38.0%	38.0%	38.4%	38.5%	38.5%	Income Tax Rate	38.5%
10.5%	10.7%	10.8%	8.6%	8.3%	8.5%	10.6%	11.0%	11.0%	11.3%	11.8%	11.9%	Net Profit Margin	12.0%
142.5	193.7	256.8	300.6	349.4	393.3	466.9	557.5	663.9	743.0	895	1095	Working Cap'l (\$mill)	1900
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217.6	282.0	359.3	424.9	499.9	576.7	684.4	783.5	922.1	1010.2	1205	1425	Shr. Equity (\$mill)	2310
24.3%	23.2%	22.5%	16.5%	15.0%	14.6%	19.1%	21.3%	21.6%	23.0%	23.0%	22.5%	Return on Total Cap'l	21.0%
24.3%	23.2%	22.5%	16.5%	15.0%	14.6%	19.1%	21.3%	21.6%	23.0%	23.0%	22.5%	Return on Shr. Equity	21.0%
24.0%	22.7%	21.6%	15.7%	14.2%	11.8%	14.7%	15.3%	15.0%	16.5%	17.0%	16.0%	Retained to Com Eq	15.0%
1%	2%	4%	5%	5%	19%	23%	28%	30%	28%	28%	28%	All Div'ds to Net Prof	28%

**Fastenal Company is experiencing little to no ill effects from the sluggish U.S. economy.** The purveyor of nuts, bolts, and related products has also been able to overcome the steadily rising costs of diesel fuel and unleaded gasoline related to product freight and salesforce travel, respectively. In the March quarter, the company reported a solid 16% advance in sales and a sizable 28% gain in share earnings. Moreover, the retailer's recent success during this rough patch has prompted us to raise our 2008 and 2009 share-net targets by a nickel, to \$1.90 and \$2.15, respectively.

**The "pathway to profit" program is taking hold.** For the better part of the last decade, Fastenal increased its store base approximately 14% a year in order to spur profit gains. However, back in April, 2007, management noticed that returns began to sag a bit, so the team began to look for a new primary growth driver. Shortly thereafter, the company announced it would add outside sales personnel into existing stores at a faster rate than historical patterns. This salesforce expansion is being funded with occupancy sav-

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '05-'07 to '11-'13

Sales	19.5%	17.0%	14.5%
"Cash Flow"	19.0%	21.0%	15.0%
Earnings	19.5%	21.5%	16.0%
Dividends	54.5%	76.5%	15.5%
Book Value	21.5%	16.5%	17.0%

**QUARTERLY SALES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	353.8	383.3	402.2	384.0	1523.3
2006	431.7	458.8	470.1	448.7	1809.3
2007	489.2	519.7	533.7	519.2	2061.8
2008	566.2	598.8	615	595	2375
2009	645	680	695	680	2700

**EARNINGS PER SHARE<sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.24	.30	.30	.26	1.10
2006	.32	.34	.36	.30	1.32
2007	.36	.40	.41	.38	1.55
2008	.46	.49	.50	.45	1.90
2009	.52	.55	.56	.52	2.15

**QUARTERLY DIVIDENDS PAID<sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.075	--	.125	--	.20
2005	.155	--	.155	--	.31
2006	.20	--	.20	--	.40
2007	.21	--	.23	--	.44
2008	.25	--	--	--	--

ings generated by opening new stores at a rate of only 7%–10% a year. The goal of the new operating model is to enhance the profitability of the overall business by capturing the natural expense leverage that has historically occurred in existing stores as they grow. Perhaps more importantly, Fastenal hopes to improve inventory management and working capital efficiency, which had fallen quite a bit.

**So far, so good.** In the December and March quarters, the company was able to hire more personnel without significantly increasing its SG&A costs and improve returns using the new investment model. Moreover, the retailer is on pace to meet its goal of increasing average store sales to \$125,000 per month by 2012.

**Not surprisingly, Wall Street has taken notice of Fastenal's recent success.** This issue is once again approaching its 52-week high. Based on this share-price momentum and the stout earnings gains realized in recent quarters, this stock is ranked to outperform the broader market in the year ahead. Long-term capital gains potential is also above average.

Erik A. Antonson July 4, 2008

(A) Basic earnings. Next earnings report due mid July. (B) Dividends historically paid in March and September. (C) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	60
Price Growth Persistence	100
Earnings Predictability	85