Fastenal (NASDAQ: FAST)

Colin Chalk | Luke Hogan

Recommendation: BUY

Price Target: $55.76

Notre Dame
INVESTMENT CLUB

I. Company Overview

II. Investment Rationale

III. Valuation

IV. Appendix

Company Overview

Fastenal is an industrial supplies distributor with focus on supply chain solutions. The company distinguishes itself amongst competitors by offering an array of industrial vending and value-add digital solutions and has long been a pioneer and innovator in the distribution space

Company History

- Fastenal was founded in 1967 in Winona, Minnesota where the company's headquarters remain today
- Large **majority of transactions are B2B**, though some retail stores serve non-commercial customers
- The company has always **focused on proximity to customer**, most recently housing itself directly in customer's facilities through the development of Onsite Programs and Industrial Vending Solutions
- As of Q3 2022, the company **operated 3,283 in-market locations** supported by 16 distribution centers across the globe

Forward Looking Strategy

Expand Market Share and Leadership Role

Invest further in Human Capital Resources

Continue Shift to Onsite Locations

Capitalize on Reshoring Trend in North America

Expand Globally as Foreign Infrastructure Develops

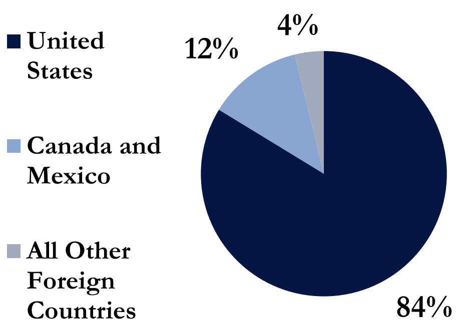
Provide Entire Supply Chain Solution for Clients

Continue Historical Role at the Cutting Edge of Industrial Distribution Innovation

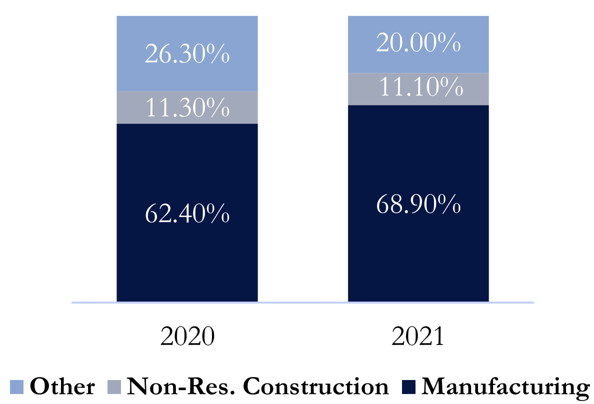
Operating Statistics and Valuation Measures ($mm)

Gross Margin	46.4%	TEV/EBITDA	16.3x
EBITDA Margin	23.4%	TEV/Revenue	4.15x
EBIT Margin	20.9%	TEV/EBIT	20.0x

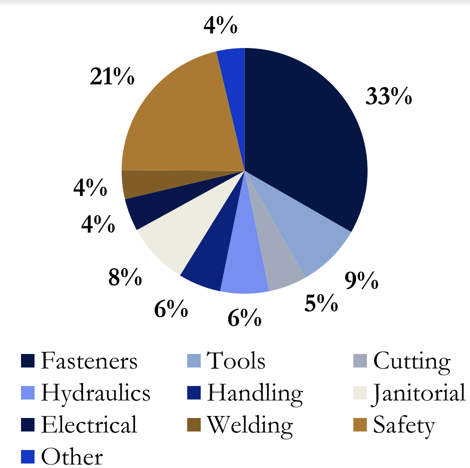
Geographic Segmentation



End Market Segmentation



Product Line Segmentation



Sources: CapIQ, Baird Equity Research Report, Company Website, Earnings Call Transcripts

Fastenal's Channel's to Market

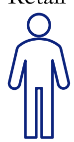
Fastenal has two channels to market: Branch Locations and Onsite Locations; there is a shift from branch locations to onsite locations due to the increased need for same-day solutions, supply chain relief, and higher touch inventory management services

Branch Locations

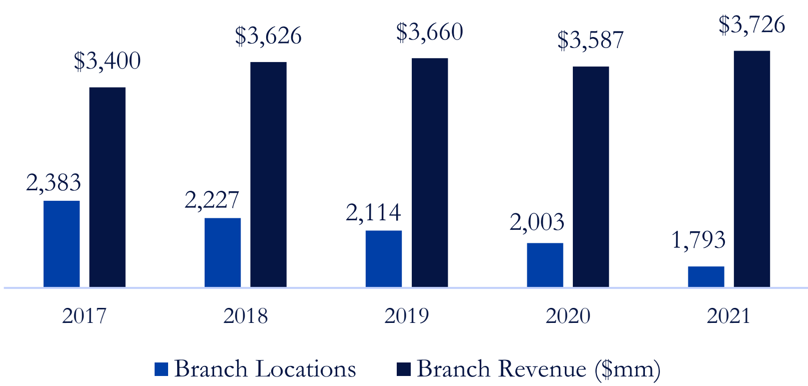
Customer Demographic

Contractors

Retail



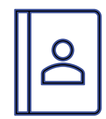
Regional Accounts



Onsite Locations

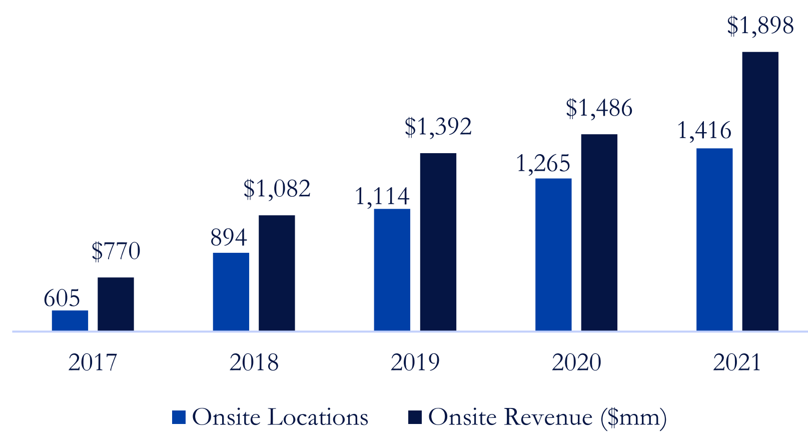
Customer Demographic

National Accounts



International

Regional Accounts



Sources: CapitalIQ, Company Filings, Fastenal Website

Industrial Vending Solutions

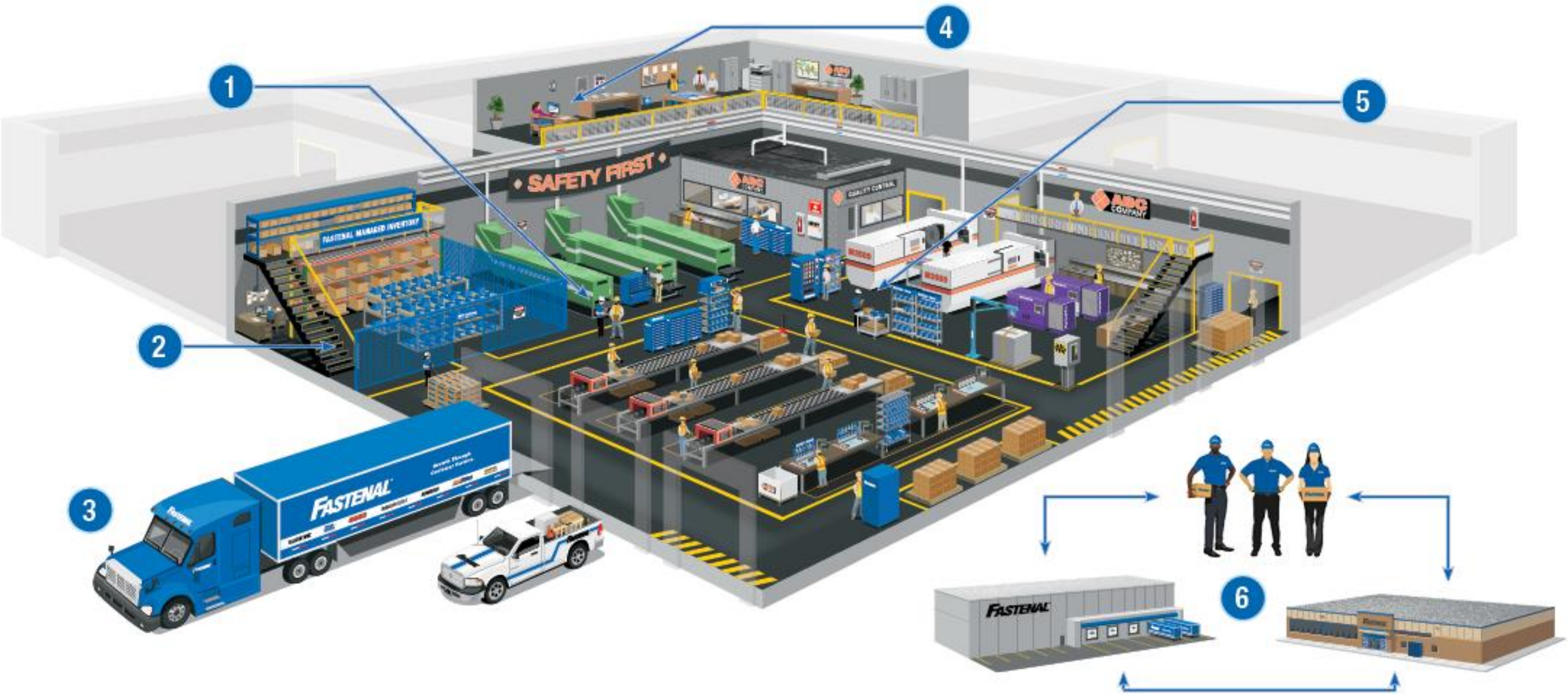
FMI technology includes FASTBin, FASTStock, and FASTVend, each offering an array of layout options. For example, Fastenal ‘s industrial vending portfolio consists of 24 different vending devices with the most popular being the FAST5000

FASTBin℠

FASTStock℠

FASTVend℠

Fastenal Onsite Model Expanded



1 Experts

2 Inventory

3 Logistics

4 Data & Visibility

5 Point of Use

6 ML Support

I. Company Overview

II. Investment Rationale

III. Valuation

IV. Appendix

Investment Overview

Fastenal is an underappreciated, premium asset trading at a very reasonable price

1. **Underappreciated moat** with large North American distribution capabilities and long standing, formalized relationships with national accounts
2. Reshoring and other macroeconomic **tailwinds supporting shift from Branch locations to Onsite locations**, a stickier and contractually-bound revenue source
3. **Ability to perform well and adapt in nearly any macroeconomic environment**, including COVID-19, recessions, and inflationary periods
4. Significant **growth potential from customers seeking total supply chain solutions**, especially given persistence of recent supply chain disruptions

Price Target
$55.76
15.3% upside to $48.35

Fastenal vs. MSC and Grainger

Fastenal commands higher margins and has a significant advantage in the growing industrial vending industry; its stock close to a 52-week low, and its EV/LTM EBITDA multiple is around four turns lower than its three-year average

	Fastenal	MSC Industrial Supply Co.	Grainger
Enterprise Value	25,704.1($mm)	1,631.5($mm)	28,196.1($mm)
EBITDA Margin	23.4%	14.4%	15.1%
Gross Margin	46.4%	42.2%	37.5%
EV/LTM EBITDA	16.3x	9.6x	13.5x
Industrial Vending Machines	100,000+	N/A	70,000+
E-Commerce Susceptibility	LOW	MEDIUM	HIGH

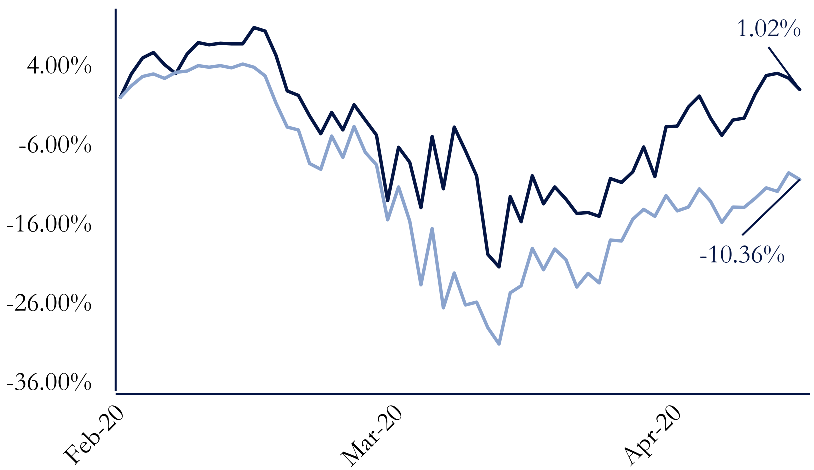
Notre Dame
INVESTMENT CLUB

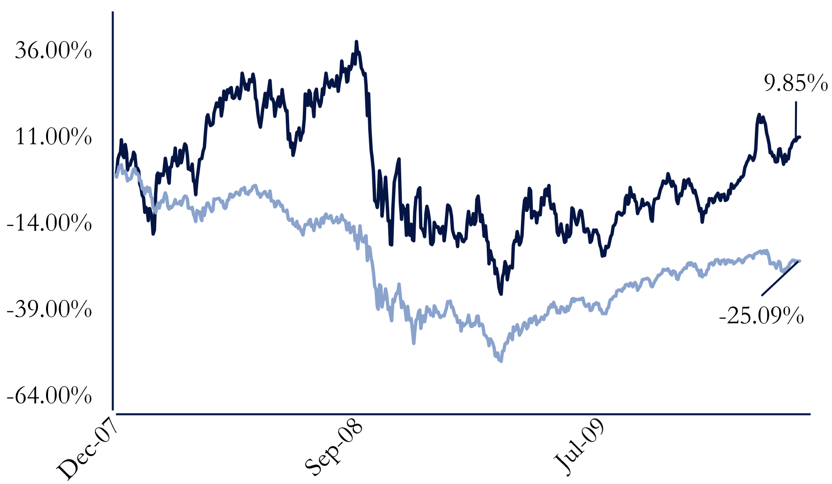
Sources: CapitalIQ, Company Filings

Fastenal Performance During Recessions

Fastenal consistently outperformed the market during the 2008 financial crisis and the 2020 COVID pandemic due to its ability to pass on prices, act as a supply-chain reliever, provide a broad range of products, meet MRO needs, and quickly respond to changes in the economy

Fastenal VS. S&P500 Share Price





Competitive Advantages during Downturns

Consistent need for MRO parts—not big-ticket items (classified as operating costs not capital expenditures)

Distributors have ability to **pass on prices** faster (price-cost neutral)

Fastenal's strength as a **supply-chain reliever**

Fastenal offers a **vast range of SKUs at low average order value**

Value-adding vending options help customers control their **inventory** and **administrative costs**

Supply Chain Relief and Reshoring

Companies are becoming pressured to move their manufacturing plants back home due to the ongoing supply chain stress; therefore, Fastenal is poised for growth in their MRO business due to the opportunity to capture some of these larger national accounts as Onsite customers

Reshoring Driven by Need for Supply Chain Relief

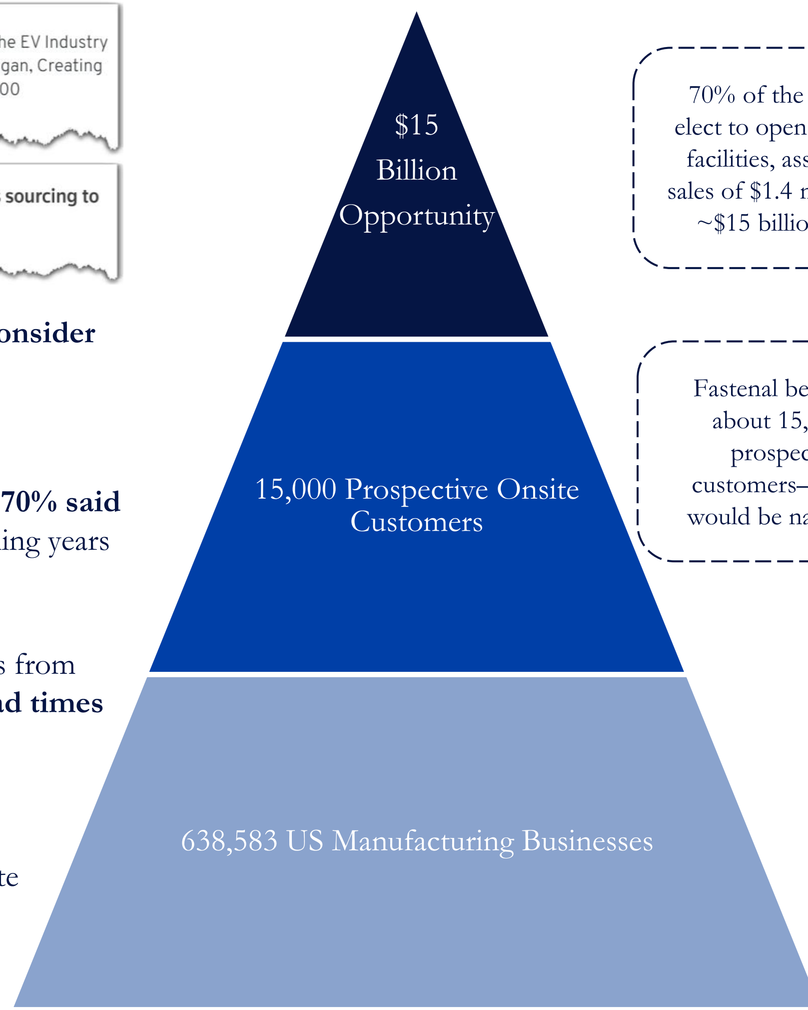
Intel to invest at least $20 billion in Ohio chip-making facility

GM Accelerates its Drive to Lead the EV Industry with $7 Billion Investment in Michigan, Creating 4,000 New Jobs and Retaining 1,000

Intel is spending $20 billion to build two new chip plants in Arizona

Lockheed to move F-35 jet parts sourcing to U.S. from Turkey

1. Supply chain issues are **forcing companies to reconsider manufacturing plant locations**
2. Global conglomerate ABB polled 1610 executives: **70% said they plan to reshore** or nearshore projects in coming years
3. Higher upfront domestic costs are offset by savings from freight costs, tariffs, and **benefits from shorter lead times**
4. New domestic manufacturing sites would **require significant incremental MRO supplies** to operate



70% of the manufacturers elect to open incremental US facilities, assuming average sales of $1.4 million per onsite ~$15 billion opportunity

Fastenal believes there are about 15,000 potential prospective Onsite customers—most of these would be national accounts

Sources: IBISWorld, Baird Equity Research Report

Primary Discovery

In speaking with Baird Senior Research Associate Quinn Frederickson who covers Fastenal along with other industrials distributors, Fastenal's potential growth from reshoring, strength in recessions, and consistent long-term market leading position became even more evident

Quinn Frederickson, CFA – Baird Senior Research Associate

- "**Reshoring will certainly result in TAM growth** and additional market share capture for Fastenal"
  - Even when applying conservative reshoring estimates, Fastenal is likely to experience 100bps of growth annually from onshoring alone
  - This conservative modeling assumes that players will divide the new market share equally, though **it is likely Fastenal will capture far more share than competitors** as the Onsite model is tailored to large, multinational clients, the same demographic that is likely to reshore
- "**A recession will not negatively affect Fastenal** in a major way, in fact, it may be a growth catalyst"
  - The oncoming recession is extremely well telegraphed, which is a positive for Fastenal Onsite signings as new signings are most difficult extreme market conditions (COVID-19)
  - **Current Onsite locations will not be lost** as Fastenal provides real cost and time savings, allowing the company to outgrow the market even in a recession
- "Fastenal, in our opinion, is the **best investment in the sector for a multiyear time horizon**"
  - **Insulated from eCommerce threats** as the business model is very person intensive and high touch (same can not be said for GWW and MSC)
  - Pioneer in industrial vending and value-adding distribution technology, providing a **reliable competitive advantage and moat for the foreseeable future**

Customer Testimonials

I. Company Overview

II. Investment Rationale

III. Valuation

IV. Appendix

Base Case

We predict significant upside due to robust onsite growth, operating margin expansion, and slight branch revenue growth; we used a 15.5x exit multiple, despite Fastenal's 19.04x three-year average EV/EBITDA multiple

Key Drivers

1 Onsite Growth

- Using street estimates, we expect Onsite Location growth and Onsite revenue growth due to continued need for supply-chain relief and cost-saving measures due to impending recession

2 Operating Margin Expansion

- Onsite expansion improves operating margins
- Lower gross margin on industrial vending machines is made up by higher operating margins because there are very little administrative costs associated with vending

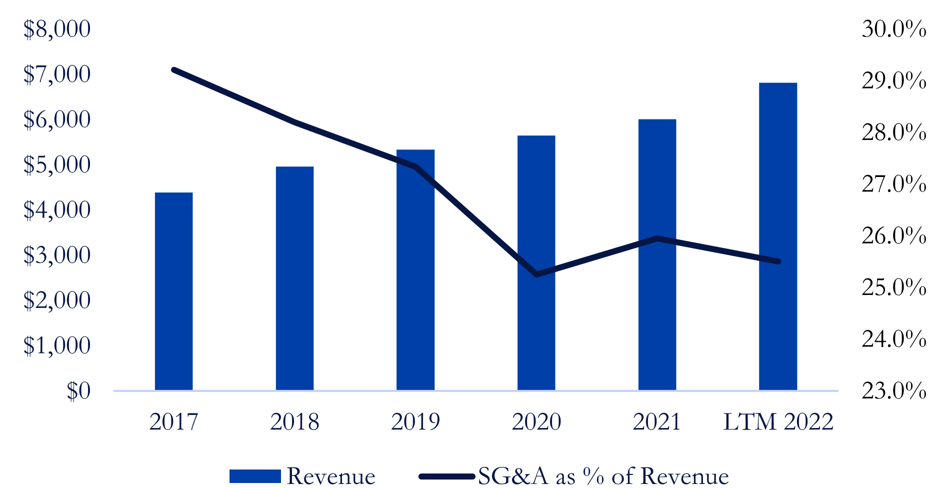
3 Little Branch Revenue Growth

- Average branch revenue has been growing steadily even during the COVID pandemic
- Branch closures are offset by high average branch revenue

Base Case

Revenue Build	2021	2022	2023	2024	2025	2026	2027
Branch Locations	1,793	1,685	1,591	1,516	1,444	1,385	1,328
Branch location growth		-6.0%	-5.6%	-4.7%	-4.8%	-4.1%	-4.1%
Average Sales per branch location (MM)	$2.1	$2.3	$2.4	$2.6	$2.8	$2.9	$3.1
Average Sales Growth		9.0%	8.0%	7.0%	6.0%	6.0%	6.0%
Total Branch Revenue	$3,726.2	$3,818	$3,892	$3,969	$4,007	$4,074	$4,142
Branch Revenue Growth		2.5%	1.9%	2.0%	1.0%	1.7%	1.7%
Onsite Locations	1,416	1,741	2,066	2,391	2,716	3,041	3,366
Onsite location growth		23.0%	18.7%	15.7%	13.6%	12.0%	10.7%
Average sales per onsite location	$1.34	$1.42	$1.51	$1.60	$1.69	$1.79	$1.90
Average Sales Growth		6%	6%	6%	6%	6%	6%
Total Onsite Revenue	$1,898	$2,474	$3,112	$3,817	$4,596	$5,455	$6,400
Onsite Revenue Growth		30.3%	25.8%	22.7%	20.4%	18.7%	17.3%
Other Revenue	$387	$398	$410	$423	$435	$448	$462
Other Revenue Growth		3%	3%	3%	3%	3%	3%
Total Revenue	$6,011	$6,690	$7,413	$8,208	$9,038	$9,977	$11,003
		11.3%	10.8%	10.7%	10.1%	10.4%	10.3%

Operating Margin Expansion



I. Company Overview

II. Investment Rationale

III. Valuation

IV. Appendix

Value Adding Distribution

Fastenal provides a number of value-add solutions and services that make the company far more than a vanilla industrial supplies distributor. The company embraced and even pioneered the technological shift taking place in the distribution industry

Fastenal Managed Inventory (FMI)

FASTStock
- Bins containing **high volume consumables.** Organized into customer plan-o-grams and scanned by customers to **generate replenishment orders when inventory thresholds are reached**

FASTBin
- Introduced in 2019 as the evolution of FASTStock. **Set of electronic inventory management solutions** (RFID, Infrared, and Scale) providing 24/7 continuous inventory monitoring and more efficient replenishment of bin stocks

FASTVend
- Diverse lineup of machines supporting various supplies needs. **Total supply chain solution** providing aforementioned features as well as ID-based access and cloud software to manage settings and view reporting

Supply Chain Illumination: A Case Study

Sellen Construction Problem:

- **Difficulty sourcing consumable construction supplies** efficiently resulting in production delays
- Job costing and **cost assigning becoming impossible** due to feasibility of tracking asset consumption
- Human **capital resources diverted to non-core or value add work**, resulting in lower product quality

Simplify → Monitor → Control → Track

Sources: Company Website, CapIQ, Company Disclousres

Management Team

Fastenal is led by a dedicated management team that have all been at the company for at least six years

Daniel Florness, CEO

- President and CEO since January 2016
- Previously was CFO from 2002 to 2015
- Leader of the shift from branch locations to onsite locations

Holden Lewis, CFO

- CFO since August 2016
- Has been in numerous positions at FBR Capital Markets, Oppenheimer, and BB&T Capital
- Responsible for studying the strategic and financial direction of the company

Terry Owen, Sales Operations

- Senior executive vice president—sales operations since January 2016
- Oversees eCommerce, national account sales, FASTSolutions(Onsite and FMI), manufacturing, distribution, and supply chain

Management's Strategy

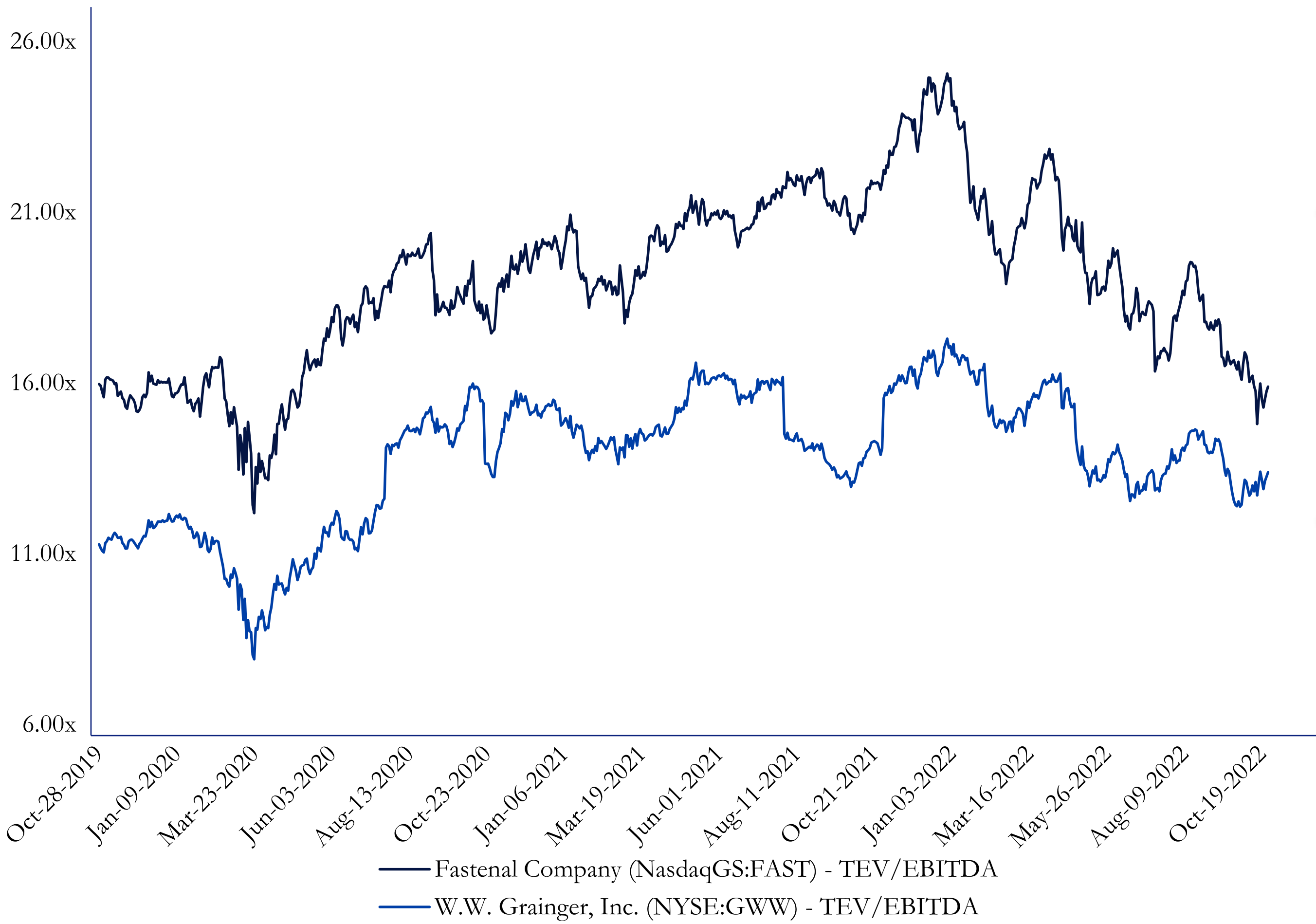
Extremely Low Distance-To-Customer → Large Sales/Support Team → Maintained Customer Relationships → Increased Onsite Location

Sources: Fastenal Website, Company Filings

EV/EBITDA 3-Y Average Multiple Spread

FASTENAL®

Because of Fastenal's superiority, it historically trades at a premium to peers like W.W. Grainger Inc (NYSE: GWW). However, recently the multiple spread has compressed to less than half its 3-Year average

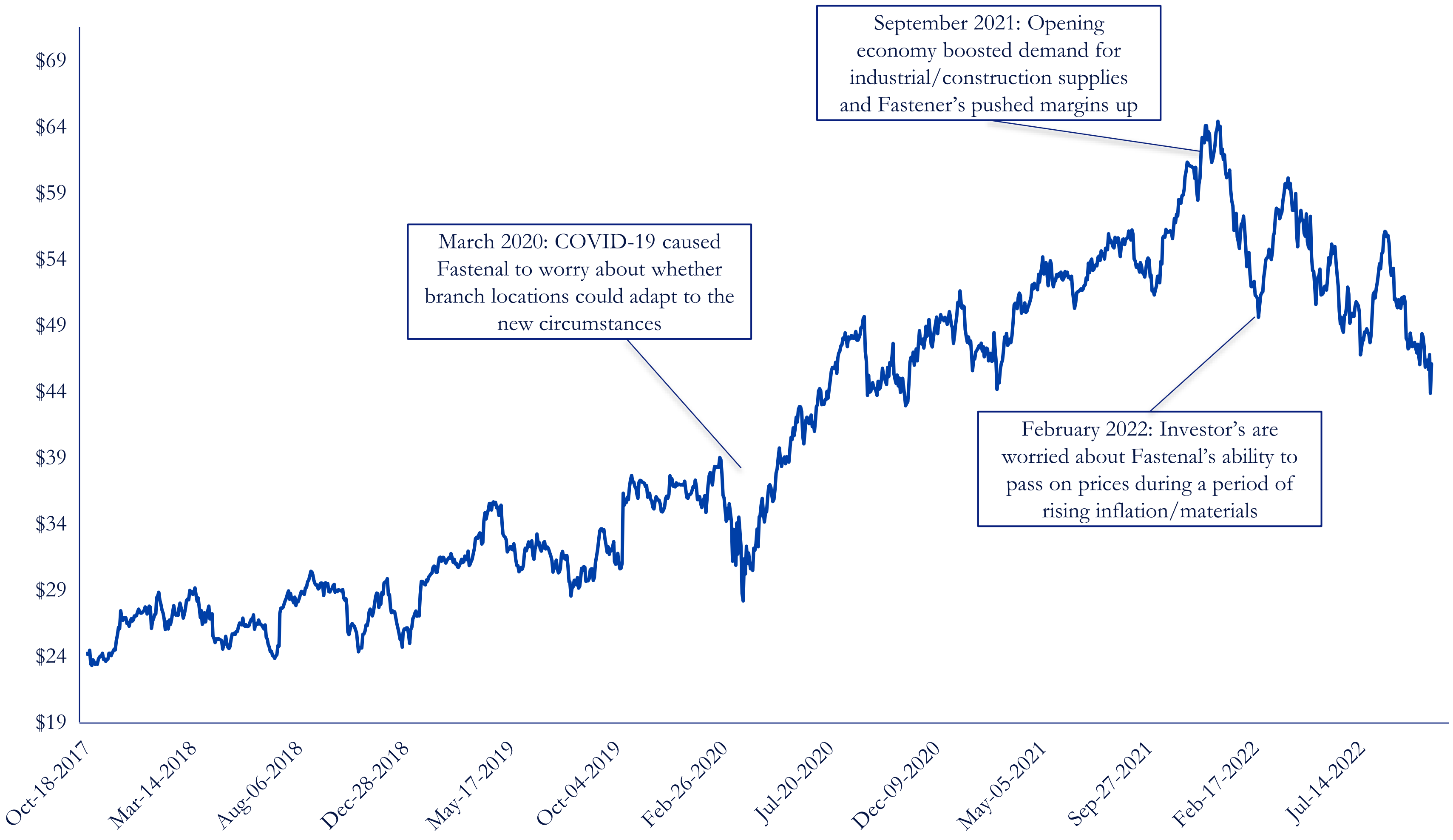


3-Year Average Multiple Spread: 5.21

Current Spread: 2.51

Fastenal's Historical Performance

Fastenal is reaching a 52-week low as investors worry about Fastenal's guidance that onsite signings will be toward the lower end of their estimates; however, we expect Onsite locations to rise since onsites are going to be critical in a slowing economy due to its immense cost advantages



Sources: Yahoo Finance, CaoitalIQ

Bull Case

FASTENAL®

Our bull case presents onsite growth, branch growth, and operating margin expansion higher than expected, revealing our optimism for the sticky onsite model, reshoring, and necessity of same-day MRO and fastener products

Key Drivers

1 Onsite Growth

- Greater execution in Onsite Location signings and expansion of current Onsite Location average sales
- Reshoring thesis results in TAM growth and incremental Onsite signings

2 Operating Margin Expansion

- Onsite expansion improves operating margins
- Lower gross margin on industrial vending machines is made up by higher operating margins because there are very little administrative costs associated with vending

3 Higher Multiple

- Used a 17.4x multiple instead of Fastenal's 3 year average EV/EBITDA of 19.04x

Bull Case

Terminal Value:	
2027 EBITDA	$2,644.0
Exit Multiple	17.4x
Terminal Value	**$46,006.2**
Period	4.5
PV of Terminal Value	**$32,598.9**

Terminal Value:	
2027 FCF	$2,211.1
PGR	3.50%
Terminal Value	**$50,974.1**
Period	8.5
PV of Terminal Value	**$26,558.9**

Sensitivity

Discount Rate

Exit Multiple	6.00%	7.00%	8.00%	9.00%	10.00%
13.4x	$55.23	$53.06	$51.00	$49.04	$47.17
15.4x	$62.34	$59.88	$57.54	$55.31	$53.19
17.4x	$69.45	$66.70	$64.08	$61.59	$59.22
19.4x	$76.56	$73.51	$70.62	$67.86	$65.24
21.4x	$83.67	$80.33	$77.16	$74.13	$71.26

Bear Case

Our base case offers a pessimism about onsite signings and lower than expected operating margin expansion; moreover, despite equity research suggesting otherwise, we projected negative growth for branch revenue

Key Drivers

1 Less Than Expected Onsite Growth

- Onsite Location growth stifled by recession
- Failure from sales team to expand current average sales of Onsite Locations

2 Operating Margin Pessimism

- Company story of operating margin growth tied to higher Onsite mix does not play out
- Pessimism about recession could cause onsite signings to be lower than expected, hurting the operating margin

3 Macroeconomic Outlook

- Recession is extreme and sharp, resulting in lowered manufacturing production
- Recession is longer than expected and hurts broad industrial market

Bear Case

Terminal Value:	
2027 EBITDA	$2,008.7
Exit Multiple	15.5x
Terminal Value	**$31,134.8**
Period	4.5
PV of Terminal Value	**$22,061.4**

Terminal Value:	
2027 FCF	$1,754.4
PGR	3.50%
Terminal Value	**$40,445.4**
Period	8.5
PV of Terminal Value	**$21,073.2**

Sensitivity

Discount Rate

Exit Multiple	6.00%	7.00%	8.00%	9.00%	10.00%
13.4x	$42.49	$40.83	$39.25	$37.75	$36.31
15.4x	$47.90	$46.01	$44.22	$42.51	$40.89
17.4x	$53.30	$51.19	$49.19	$47.28	$45.47
19.4x	$58.70	$56.37	$54.15	$52.05	$50.04
21.4x	$64.10	$61.55	$59.12	$56.81	$54.62

DCF Base

$ in millions	For Fiscal Year Ending September 24th,						Step Down			
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**$6,689.8**	**$7,413.4**	**$8,208.5**	**$9,038.1**	**$9,976.7**	**$11,003.4**				
% Growth	*11.3%*	*10.8%*	*10.7%*	*10.1%*	*10.4%*	*10.3%*				
(-) Operating Expenses	(5,304.3)	(5,904.0)	(6,518.3)	(7,158.1)	(7,905.6)	(8,669.6)				
(+) Depreciation & Amortization	190.3	198.9	225.2	252.1	281.3	310.2				
EBITDA	**1,575.7**	**1,708.3**	**1,915.3**	**2,132.0**	**2,352.4**	**2,644.0**				
% Margin	*23.6%*	*23.0%*	*23.3%*	*23.6%*	*23.6%*	*24.0%*				
(-) Depreciation & Amortization	(190.3)	(198.9)	(225.2)	(252.1)	(281.3)	(310.2)				
EBIT	**1,385.5**	**1,509.4**	**1,690.1**	**1,879.9**	**2,071.2**	**2,333.8**				
% Margin	*20.7%*	*20.4%*	*20.6%*	*20.8%*	*20.8%*	*21.2%*				
(-) Taxes	(337.9)	(370.7)	(415.3)	(461.9)	(508.7)	(573.2)				
% Effective Tax Rate	*24.4%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*				
NOPAT	**1,047.5**	**1,138.7**	**1,274.9**	**1,418.0**	**1,562.5**	**1,760.6**				
(+) Depreciation & Amortization	190.3	198.9	225.2	252.1	281.3	310.2				
(-) Capital Expenditures	(177.9)	(208.3)	(235.6)	(266.6)	(291.3)	(321.3)				
(-) Change in Net Working Capital	(205.9)	(232.5)	(245.2)	(268.6)	(301.7)	(318.4)				
UFCF (excl. SBC)	**854.0**	**896.8**	**1,019.2**	**1,134.8**	**1,250.7**	**1,431.2**				
(-) Stub-Year		(32.4)								
FCF For Discounting	**854.0**	**864.4**	**1,019.2**	**1,134.8**	**1,250.7**	**1,431.2**	**1,631.5**	**1,827.3**	**2,010.1**	**2,211.1**
% Growth		*1.2%*	*17.9%*	*11.3%*	*10.2%*	*14.4%*	*14.0%*	*12.0%*	*10.0%*	*10.0%*
Discount Period		0.48	1.48	2.48	3.48	4.48	5.48	6.48	7.48	8.48
Discount Factor		0.96	0.89	0.83	0.77	0.71	0.66	0.61	0.56	0.52
PV of UFCF		**832.9**	**909.5**	**937.7**	**957.1**	**1,014.1**	**1,070.5**	**1,110.3**	**1,131.0**	**1,152.0**

DCF Bull

FASTENAL®

$ in millions	For Fiscal Year Ending September 24th,						Step Down			
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**$6,859.4**	**$7,685.6**	**$8,618.8**	**$9,534.3**	**$10,618.9**	**$11,906.4**				
% Growth	*14.1%*	*12.0%*	*12.1%*	*10.6%*	*11.4%*	*12.1%*				
(-) Operating Expenses	(5,335.9)	(6,005.5)	(6,714.9)	(7,408.1)	(8,255.2)	(9,202.5)				
(+) Depreciation & Amortization	195.1	206.2	236.4	265.9	299.4	335.7				
EBITDA	**1,718.6**	**1,886.3**	**2,140.3**	**2,392.0**	**2,663.2**	**3,039.6**				
% Margin	*25.1%*	*24.5%*	*24.8%*	*25.1%*	*25.1%*	*25.5%*				
(-) Depreciation & Amortization	(195.1)	(206.2)	(236.4)	(265.9)	(299.4)	(335.7)				
EBIT	**1,523.5**	**1,680.1**	**1,903.9**	**2,126.1**	**2,363.8**	**2,703.9**				
% Margin	*22.2%*	*21.9%*	*22.1%*	*22.3%*	*22.3%*	*22.7%*				
(-) Taxes	(371.6)	(412.6)	(467.8)	(522.4)	(580.5)	(664.1)				
% Effective Tax Rate	*24.4%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*				
NOPAT	**1,151.9**	**1,267.5**	**1,436.1**	**1,603.7**	**1,783.2**	**2,039.9**				
(+) Depreciation & Amortization	195.1	206.2	236.4	265.9	299.4	335.7				
(-) Capital Expenditures	(182.5)	(216.0)	(247.4)	(281.3)	(310.1)	(347.7)				
(-) Change in Net Working Capital	(234.8)	(262.7)	(286.6)	(292.8)	(344.8)	(398.0)				
UFCF (excl. SBC)	**929.7**	**995.0**	**1,138.6**	**1,295.6**	**1,427.7**	**1,629.9**				
(-) Stub-Year		(35.9)								
FCF For Discounting	**929.7**	**959.1**	**1,138.6**	**1,295.6**	**1,427.7**	**1,629.9**	**1,858.0**	**2,081.0**	**2,289.1**	**2,518.0**
% Growth		*3.2%*	*18.7%*	*13.8%*	*10.2%*	*14.2%*	*14.0%*	*12.0%*	*10.0%*	*10.0%*
Discount Period		0.48	1.48	2.48	3.48	4.48	5.48	6.48	7.48	8.48
Discount Factor		0.96	0.89	0.83	0.77	0.71	0.66	0.61	0.56	0.52
PV of UFCF		**924.2**	**1,016.0**	**1,070.6**	**1,092.5**	**1,154.9**	**1,219.2**	**1,264.4**	**1,288.0**	**1,312.0**

DCF Bear

$ in millions	For Fiscal Year Ending September 24th,						Step Down			
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	**$6,493.1**	**$7,023.0**	**$7,523.1**	**$7,968.1**	**$8,325.7**	**$8,722.4**				
% Growth	*8.0%*	*8.2%*	*7.1%*	*5.9%*	*4.5%*	*4.8%*				
(-) Operating Expenses	(5,213.3)	(5,663.3)	(6,049.3)	(6,390.4)	(6,680.5)	(6,959.6)				
(+) Depreciation & Amortization	184.7	188.4	206.4	222.2	234.7	245.9				
EBITDA	**1,464.5**	**1,548.1**	**1,680.1**	**1,799.9**	**1,879.9**	**2,008.7**				
% Margin	*22.6%*	*22.0%*	*22.3%*	*22.6%*	*22.6%*	*23.0%*				
(-) Depreciation & Amortization	(184.7)	(188.4)	(206.4)	(222.2)	(234.7)	(245.9)				
EBIT	**1,279.8**	**1,359.6**	**1,473.8**	**1,577.7**	**1,645.2**	**1,762.8**				
% Margin	*19.7%*	*19.4%*	*19.6%*	*19.8%*	*19.8%*	*20.2%*				
(-) Taxes	(312.1)	(333.9)	(362.1)	(387.6)	(404.0)	(432.9)				
% Effective Tax Rate	*24.4%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*				
NOPAT	**967.7**	**1,025.7**	**1,111.7**	**1,190.1**	**1,241.1**	**1,329.8**				
(+) Depreciation & Amortization	184.7	188.4	206.4	222.2	234.7	245.9				
(-) Capital Expenditures	(172.7)	(197.3)	(215.9)	(235.1)	(243.1)	(254.7)				
(-) Change in Net Working Capital	(127.6)	(220.2)	(206.9)	(206.7)	(179.0)	(185.5)				
UFCF (excl. SBC)	**852.0**	**796.6**	**895.2**	**970.6**	**1,053.8**	**1,135.6**				
(-) Stub-Year		(28.8)								
FCF For Discounting	**852.0**	**767.8**	**895.2**	**970.6**	**1,053.8**	**1,135.6**	**1,294.6**	**1,449.9**	**1,594.9**	**1,754.4**
% Growth		*-9.9%*	*16.6%*	*8.4%*	*8.6%*	*7.8%*	*14.0%*	*12.0%*	*10.0%*	*10.0%*
Discount Period		0.48	1.48	2.48	3.48	4.48	5.48	6.48	7.48	8.48
Discount Factor		0.96	0.89	0.83	0.77	0.71	0.66	0.61	0.56	0.52
PV of UFCF		**739.9**	**798.8**	**802.0**	**806.3**	**804.6**	**849.4**	**881.0**	**897.4**	**914.1**

Operating Build

$ in millions	Historical Years			Forecasted Years					
	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Branch Revenue	3,660.1	3,587.1	3,726.2	3,817.8	3,891.6	3,968.8	4,006.8	4,073.6	4,141.6
Onsite Revenue	1,391.7	1,485.6	1,898.0	2,473.6	3,111.5	3,817.1	4,596.1	5,454.8	6,400.0
Other Revenue	281.9	574.6	386.7	398.3	410.3	422.6	435.2	448.3	461.7
Total Revenue	**$5,333.7**	**$5,647.3**	**$6,010.9**	**$6,689.8**	**$7,413.4**	**$8,208.5**	**$9,038.1**	**$9,976.7**	**$11,003.4**
% Growth		*5.9%*	*6.4%*	*11.3%*	*10.8%*	*10.7%*	*10.1%*	*10.4%*	*10.3%*
General COGS	(2,818.3)	(3,079.5)	(3,233.7)	(3,602.5)	(4,032.1)	(4,476.1)	(4,977.3)	(5,534.1)	(6,100.3)
(-) Cost of Goods Sold	**($2,818.3)**	**($3,079.5)**	**($3,233.7)**	**($3,602.5)**	**($4,032.1)**	**($4,476.1)**	**($4,977.3)**	**($5,534.1)**	**($6,100.3)**
Gross Profit	**$2,515.4**	**$2,567.8**	**$2,777.2**	**$3,087.3**	**$3,381.2**	**$3,732.4**	**$4,060.8**	**$4,442.6**	**$4,903.1**
% Margin	*47.2%*	*45.5%*	*46.2%*	*46.2%*	*45.6%*	*45.5%*	*44.9%*	*44.5%*	*44.6%*
Selling, General, and Administrative	(1,458.2)	(1,426.0)	(1,559.8)	(1,701.9)	(1,871.9)	(2,042.3)	(2,180.9)	(2,371.5)	(2,569.3)
(-) Total Operating Expenses	**($1,458.2)**	**($1,426.0)**	**($1,559.8)**	**($1,701.9)**	**($1,871.9)**	**($2,042.3)**	**($2,180.9)**	**($2,371.5)**	**($2,569.3)**
Operating Income (EBIT)	**$1,057.2**	**$1,141.8**	**$1,217.4**	**$1,385.5**	**$1,509.4**	**$1,690.1**	**$1,879.9**	**$2,071.2**	**$2,333.8**
% Margin	*19.8%*	*20.2%*	*20.3%*	*20.7%*	*20.4%*	*20.6%*	*20.8%*	*20.8%*	*21.2%*
(+) Depreciation & Amortization	144.6	153.3	159.9	190.3	198.9	225.2	252.1	281.3	310.2
Note: EBITDA	**$1,201.8**	**$1,295.1**	**$1,377.3**	**$1,575.7**	**$1,708.3**	**$1,915.3**	**$2,132.0**	**$2,352.4**	**$2,644.0**
% Margin	*22.5%*	*22.9%*	*22.9%*	*23.6%*	*23.0%*	*23.3%*	*23.6%*	*23.6%*	*24.0%*
(+) Other Income (Expense)	(13.5)	(9.1)	(9.6)	(10.6)	(10.5)	(10.3)	(9.5)	(7.6)	(7.1)
(-) Taxes	(252.8)	(273.6)	(282.8)	(335.3)	(368.1)	(412.7)	(459.6)	(506.8)	(571.5)
% Effective Tax Rate	*24.2%*	*24.2%*	*23.4%*	*24.4%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*	*24.6%*
Net Income	**$790.9**	**$859.1**	**$925.0**	**$1,039.5**	**$1,130.7**	**$1,267.1**	**$1,410.8**	**$1,556.8**	**$1,755.3**

Operating Build Continued

Capital Expenditures	(239.8)	(157.5)	(148.2)	(177.9)	(208.3)	(235.6)	(266.6)	(291.3)	(321.3)
Accounts Receivable	741.8	769.4	900.2	1,041.9	1,200.8	1,382.8	1,583.5	1,817.8	2,085.1
Inventory	1,366.4	1,337.5	1,523.6	1,646.4	1,787.5	1,924.8	2,076.1	2,239.1	2,394.2
Prepaid Income Taxes	16.7	6.7	8.5	9.5	10.5	11.6	12.8	14.1	15.6
Other Current Assets	157.4	140.3	188.1	209.3	232.0	256.9	282.8	312.2	344.3
Non-Cash Current Assets	**$2,282.3**	**$2,253.9**	**$2,620.4**	**$2,907.2**	**$3,230.8**	**$3,576.1**	**$3,955.2**	**$4,383.3**	**$4,839.1**
Accounts Payable	192.8	207.0	233.1	270.1	314.4	362.9	419.7	485.4	556.4
Accrued Expenses	251.5	272.1	298.3	332.0	367.9	407.4	448.5	495.1	546.1
Current Portion of Operating Lease Liabilities	97.4	93.6	90.8	101.1	112.0	124.0	136.5	150.7	166.2
Non-Debt Current Liabilites	**$541.7**	**$572.7**	**$622.2**	**$703.1**	**$794.3**	**$894.3**	**$1,004.8**	**$1,131.2**	**$1,268.7**
Net Working Capital	1,740.6	1,681.2	1,998.2	2,204.1	2,436.6	2,681.8	2,950.4	3,252.1	3,570.5
Change in Net Working Capital		**$59.4**	**($317.0)**	**($205.9)**	**($232.5)**	**($245.2)**	**($268.6)**	**($301.7)**	**($318.4)**

Comparable Companies

Company	Ticker	Market Cap ($bn)	Enterprise Value ($bn)	Gross Margin	EBITDA Margin	EV/EBITDA
MSC Industrial Direct Co	MSM	$4,413	$5,243	42.2%	14.8%	9.2x
Applied Industrial Technolo	AIT	$4,301	$4,902	29.0%	10.8%	10.8x
W.W. Grainger	GWW	26,437	29,138	37.5%	15.1%	13.1x
MRC Global Inc	MRC	766	1,671	16.5%	3.2%	12.4x
Pool Corporation	POOL	11,277	13,000	31.7%	17.7%	11.0x
Fastenal	FAST	26,399	26,976	46.4%	23.4%	15.5x

Low	$766	$1,671	16.5%	3.2%	9.2x
Mean	12,265	13,488	33.9%	14.2%	12.0x
Median	7,845	9,121	34.6%	14.9%	11.7x
High	26,437	29,138	46.4%	23.4%	15.5x

Key Assumptions

FASTENAL®

$ in millions	Historical Years			Forecasted Years					
	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Branch Revenue	$3,660.1	$3,587.1	$3,726.2	**$3,817.8**	**$3,891.6**	**$3,968.8**	**$4,006.8**	**$4,073.6**	**$4,141.6**
% Growth		*(2.0%)*	*3.9%*	*2.5%*	*1.9%*	*2.0%*	*1.0%*	*1.7%*	*1.7%*
Base				*2.5%*	*1.9%*	*2.0%*	*1.0%*	*1.7%*	*1.7%*
Bull				*3.0%*	*2.0%*	*2.0%*	*1.5%*	*1.5%*	*1.5%*
Bear				–	–	–	*(1.0%)*	*(1.0%)*	*(1.0%)*
Onsite Revenue	$1,391.7	$1,485.6	$1,898.0	**$2,473.6**	**$3,111.5**	**$3,817.1**	**$4,596.1**	**$5,454.8**	**$6,400.0**
% Growth		*6.7%*	*27.8%*	*30.3%*	*25.8%*	*22.7%*	*20.4%*	*18.7%*	*17.3%*
Base				*30.3%*	*25.8%*	*22.7%*	*20.4%*	*18.7%*	*17.3%*
Bull				*38.0%*	*28.0%*	*25.0%*	*20.0%*	*20.0%*	*20.0%*
Bear				*25.0%*	*22.0%*	*17.0%*	*14.0%*	*10.0%*	*10.0%*
Selling, General, and Administrative	($1,458.2)	($1,426.0)	($1,559.8)	**($1,701.9)**	**($1,871.9)**	**($2,042.3)**	**($2,180.9)**	**($2,371.5)**	**($2,569.3)**
% of Total Revenue	*27.3%*	*25.3%*	*25.9%*	*25.4%*	*25.3%*	*24.9%*	*24.1%*	*23.8%*	*23.4%*
Base				*25.4%*	*25.3%*	*24.9%*	*24.1%*	*23.8%*	*23.4%*
Bull				*24.4%*	*24.3%*	*23.9%*	*23.1%*	*22.8%*	*22.4%*
Bear				*25.9%*	*25.8%*	*25.4%*	*24.6%*	*24.3%*	*23.9%*

WACC Calculation

FASTENAL®

Weighted Average Cost of Capital:	
Market Risk Premium	5.5%
Adjusted Beta	1.18
Risk Free Rate	3.0%
Cost of Equity	**9.5%**
Pre-Tax Cost of Debt	2.3%
Tax Rate	24.4%
Cost of Debt	**1.7%**
Total Equity	$3,178.7
Total Debt	$764.0
Equity / Total Capitalization	80.6%
Debt / Total Capitalization	19.4%
WACC	**8.0%**