

Presented by
Jane Nelson
Rocky Mountain
Chapter
Small Talk

Fastenal Company (FAST)




Disclaimer

The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks, mutual funds, or other securities that may be referenced. The securities of companies referenced or featured in the seminar materials are for illustrative purposes only and are not to be considered endorsed or recommended for purchase or sale by BetterInvesting™ National Association of Investors Corporation ("BI") or the BetterInvesting Volunteer Advisory Board, its volunteer advisory board ("BIVAB"). The views expressed are those of the instructors, commentators, guests and participants, as the case may be, and do not necessarily represent those of BetterInvesting™ or BIVAB. Investors should conduct their own review and analysis of any company of interest before making an investment decision.



Securities discussed may be held by the instructors in their own personal portfolios or in those of their clients. BI presenters and volunteers are held to a strict code of conduct that precludes benefiting financially from educational presentations or public activities via any BetterInvesting programs, events and/or educational sessions in which they participate. Any violation is strictly prohibited and should be reported to the President of BetterInvesting or the Manager of Volunteer Relations.

This presentation may contain images of websites and products or services not endorsed by BetterInvesting. The presenter is not endorsing or promoting the use of these websites, products or services.



How Fastenal makes money--

- Fastenal Company
 - Started by Bob Kierlin in Winona, Minnesota.
 - In 1967 the original business plan was to dispense nuts and bolts via custom vending machines, but the idea proved to be ahead of its time.

- Fastenal provides:
 - Fasteners, tools and supplies
- Companies use them to:
 - Manufacture products, build structures, protect their personnel, and maintain their facilities and equipment
- Where:
 - In 21 countries, primarily U.S., Canada, Mexico and Europe, through 14 distribution centers to 2,503 stores




How Fastenal operates

1. Traditional Stores – peaked in 2013
2. Overseas stores – focuses on manufacturing customers and fasteners product line
3. Strategic account stores – unique locations sell to large accounts
4. Strategic account sites – operate out of existing stores
5. On-site locations – selling unit in or near customer facility



Onsite locations

Basic on-site –
 Dedicated inventory and staffing at customer facility
 Same day delivery for locally stocked inventory
 Uses own captive fleet to move inventory

Industrial vending machines
 finally implemented in 2008
 now 62,800 installed



FAST P.O.Ds = on-site away from local store

Fully customizable, 24/7 availability, secure



Motto: Growth Through Customer Service

Fastenal Business School

- Teaches leadership, store best practices, sales and marketing, product education and distribution
- In 2015, Fastenal employees completed nearly 478,000 online and instructor-led training courses.
- Over 95% of our current branch managers were promoted from within, and nearly all of senior company leaders began their Fastenal careers in entry-level positions.



- **Forbes** -- Ranked #44, in 2015 listing of the "100 Most Innovative Companies."
- **Harvard Business Review and the Reputation Institute**--One of the world's 10 best companies in terms of company/CEO reputation, according to a 2015 study.



Industry Outlook—Retail Building Supply

- The Retail Building Supply industry
 - Has performed well the last three months.
 - It is in the top third of the Value Line universe.
 - This type of retailer should be large beneficiaries of the new tax law.
 - How their customers would benefit is not clear. How the law would impact mortgage interest might have a definite effect.



SWOT Analysis

- ❖ **Strengths** – Internal factors that may positively influence company performance
- ❖ **Weaknesses** - Internal factors that may negatively influence company performance
- ❖ **Opportunities** - External factors that may positively influence company performance
- ❖ **Threats** – External factors that may negatively influence company performance



SWOT--Strengths

- Vending and on-site programs have long term expansion potential. (1.7M vending machines, 15,000 on-site programs)
- Fastenal can use its national scale, broad product range, and inventory management services to stave off competitors
- Fastenal broad suite of products and services helps offset cyclical nature of customers business.
- Customer switching costs
- Preferential supplier pricing





SWOT--Weaknesses

- Amazon Business could take market share and pressure margins
- Non-fastener sales, national accounts may put pressure on margins
- Move to non-fasteners could dilute differentiation
- Store count has declined 8% since 2013. New stores no longer growth driver due to market saturation and e-commerce.



SWOT--Opportunities



- Can further take advantage of its network of customers and suppliers
- Fragmented market strengthens Fastenal's scale and huge footprint
- Scale-driven cost advantages over smaller, less capable competitors
- Expansion of its efficient and scalable distribution network



13



SWOT--Threats

- Low barriers to entry in this product distribution business
- Customer and supplier bargaining power
- Margins will be under pressure because Fastenal tends to emphasize national accounts, on-site programs and the highly competitive MRO (management, repair & operations) products



14

Questions?



15