



May 24, 2026

InvestingIQ

Equity Research

Recommendation: BUY

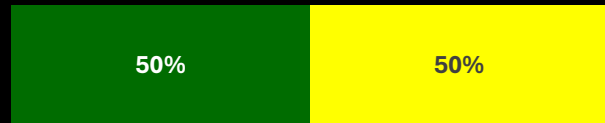


Figure 1: Street Sentiment Analysis

52-Wk Range:	\$29.42-63.99
Current Price:	\$31.67
P/E (TTM):	15.58x
EPS (TTM):	\$2.03
Market Cap (BN):	\$16.583
Beta:	0.50
Yield:	3.04%

Tractor Supply Co. (TSCO)



Company Overview

Tractor Supply Co. (NASDAQ: TSCO) is the largest rural lifestyle retailer in the United States. The company serves the needs of farmers, ranchers, and others maintaining a rural lifestyle. The company not only caters to specifically rural needs (such as saddles, livestock feed/equipment, rancher clothing, etc.) but also in pet care. Tractor Supply Co. operates a vast retail network of over 2,400 locations across 49 states, positioning itself as the primary provider in its industry. Beyond its flagship stores, the company also manages a specialized fleet of Petsense by Tractor Supply outlets to capture the rural pet care market. To support this massive physical footprint, the company utilizes a sophisticated "ONETractor" omnichannel approach, leveraging its stores as localized fulfillment hubs for online orders and maintaining a robust supply chain of distribution centers to manage the heavy, bulky goods essential to farmers and ranchers.

Industry Overview

The rural lifestyle retail market is highly fragmented for the most part, leaving TSCO as the only major player specializing in that market. While there is some product overlap for the company with others like the Home Depot and Lowe's, the difference is in market focus. Those companies focus on urban/sub-urban markets, specifically for DIY projects. Tractor Supply Co, however, specializes in rural areas, and this difference is especially highlighted in the store maps. The company is much more spread out across the country whereas the Home Depot and Lowe's are clustered around population hubs. Overall, the rural lifestyle and agriculture retail market is expected to grow at a CAGR of 7.3% through 2030, with agriculture growth also expected to hit double-digits. For the first time in a decade, we've started to see a wealth migration to rural areas. This provides a long-term tailwind for TSCO if it keeps up. In pet industries, we continue to see consistent growth as millennials prioritize quality of quantity. This benefits TSCO as they expand their pet offerings to become a one-stop shop for pet owners, offering not only food options but also pet care.

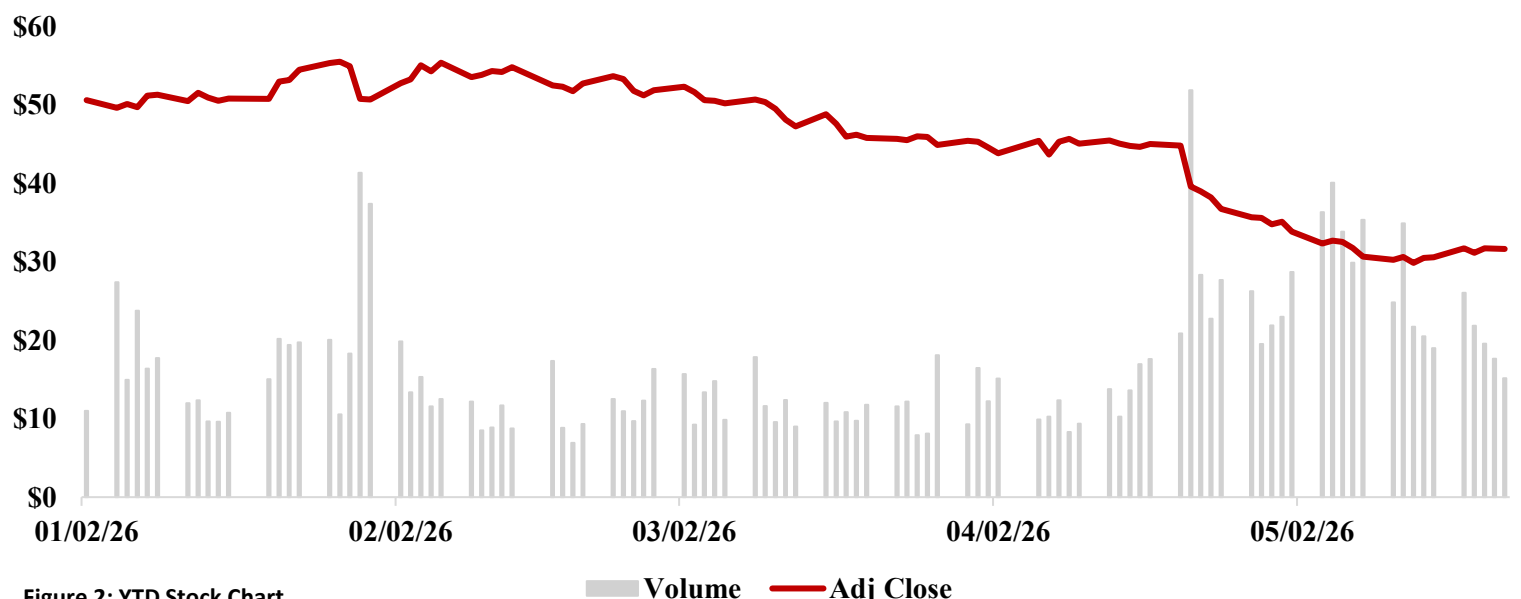


Figure 2: YTD Stock Chart



WACC	
Risk Free Rate	4.57%
Beta	0.75
Market Risk Premium	4.46%
Cost of Equity	7.92%
Interest Expense	69,144
Total Debt	5,940,000
Tax Rate	21.61%
Cost of Debt	0.91%
Total Equity	16,582,000
Total Debt	5,940,000
Capital Structure	22,522,000
Weight of Equity	73.63%
Weight of Debt	26.37%
WACC	6.07%

Figure 3: Discount Rate Calculation

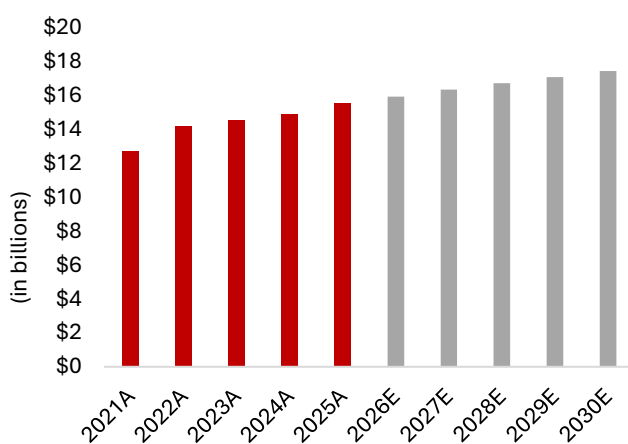


Figure 4: Revenue Forecast

Drivers/Catalysts

Life Out Here Initiative:

- Company initiative to expand operations and store count by 2030. Would like to grow to 3200 stores by then. They've continued to accelerate store expansion from 70 new stores a year to between 90 and 100. To go along with this, they're continuing to target greater exclusive brand penetration. This not only helps drive margin expansion but also a 65% higher retention rate. They'd like to expand from 29% to 32% penetration by 2030. Even through tariff and higher delivery cost risks, which have caused flat margins in the past year or so, guidance is higher for this year due to the addition of a new distribution center in Idaho. This will help with last-mile costs as well as geographic expansion into the Pacific Northwest, an area yet to see heavy expansion from TSCO.

Risks/Mitigants

Softness in Pet Category

- In their last earnings, TSCO pointed out weakness in both of these categories as the primary reason for missed earnings. While they saw stable overall YoY growth, they've seen a shift in consumer preferences towards premium and fresh offerings in the pet area. In accordance, management has noted an increased focus in those areas moving forward. Moreover, there's been industry-wide shifts, with a decline in dog ownership and growing popularity in feline products. **Mitigant:** The company will be focusing more on cat and other offerings. TSCO doesn't face a structural disadvantage or obstacle, but more of an industry-wide shift that can be adjusted for. They still hold a strong pet presence with over 200 Petsense stores offering multiple services to pet owners.

Macro Factors and Discretionary Spending

- High inflation, tariff exposure, etc. all affect overall business operations for TSCO. This has contributed to lower growth and a Q1 earnings miss. Some input costs for the company have also been raised, causing a flat gross margin. **Mitigant:** Only about 11% of TSCO's products have foreign sourcing, helping to mitigate some of the tariff risk. Beyond that we are beginning to see some rolling back, which could contribute to lower input costs in the coming future. While declines in consumer discretionary spending are concerning, this is industry-wide. To add-on, TSCO position will be kept solid by recurring non-discretionary demand in agriculture related areas, which are typically strongest in Q2.

Investment Thesis

Store Growth and Long-Term Expansion

- TSCO will be targeting between 90-100 new stores every year, which will be a key driver of growth for the company long-term. While they have exposure throughout the nation, the Pacific Northwest is a noticeable blank spot on their store map. To help take advantage of that market opportunity, they've added an 11th large-scale distribution center in Idaho. Management has highlighted the disproportionate effect this will have on operating costs this year, but in the long term it'll enable increased expansion. Beyond that, the company's store expansion is supported by strong unit economics. Average year 1 sales for new stores are ~\$4.5 million, and they are also both profitable and generate positive cash flows in that same time frame. TSCO also relies upon a sale-leaseback model that's neutral to their net cash position, and this is also why there's a huge gap in their gross vs net Capex guidance (\$1B vs \$675-725M).

Long-Term Industry Positioning Moat + Competitive Advantages

- Tractor Supply Co. benefits from dominant industry positioning and a loyal customer base. The rural lifestyle retail market doesn't provide much largescale competition for the company. Additionally, dominance in rural areas creates efficient scale and barriers to entry. Since it's not the most profitable market, businesses generally don't penetrate those markets. But with a dominant player like TSCO already established, this means the appeal of entering is even lower and more difficult. Along with this, their brand loyalty. Their membership program is one of the largest and fastest growing in America. Called the "Neighbor's Club", it's grown from ~15 to over 37 million from 2019 to Q3 2024. While management has stopped reporting exact figures as of 2026, they've stated that they've seen a similar pace of growth. Retention has also been extremely strong at 80% overall and around 98% at the top tier.



Investment Thesis (cont.)

Omni-channel Expansion and Additional Investments

- TSCO is effectively expanding its own moat by working on its biggest logistical challenge: final mile delivery of big, bulky, and heavy (BBH) goods to spread out customers. The company has scaled its final mile delivery hubs, planning to bring its total count to 400 this year. This vertical integration will allow it to effectively deliver over 95% of its products and capture a lower cost-to-serve. This is also supported by double-digit e-commerce growth and the rollout of Project Fusion. Project Fusion is a store remodeling initiative to help modernize TSCO's store layouts and equip in-store associates with a new "Hey GURA" AI system. This will help achieve their goal to digitize the floor and, overall, reduce labor friction between the desk and the floor.

DCF/Comps Overview

DCF modeling projects an upside of roughly 80% over the next 5 years. The market had a large overreaction to TSCO's recent earnings news. Overall growth was still strong, and the weakness in pet areas was not an operational issue for the company, but an industry-wide trend they were disproportionately affected by. They will likely pivot and continue their strong positioning. Outside of that, there hasn't been a major risk presented to the company, and the pathway for growth and stable cyclical demand exists. While they have no perfect comps, the companies below illustrate multiple aspects of the business. Home Depot and Lowe's have a similar product mix while not serving the same clientele (DIY projects and suburban areas vs rural), while DICK's exhibits financial and operational similarities. Beyond that, Chewy covers pet care product offerings. The multiples show that TSCO has fallen to a clear discount, and there's a great deal of value and growth being ignored by the market, causing a mispriced stock. It's been oversold and this makes for an intriguing entry point.

Public Comps
USD (\$) in thousands except per share

Company Name (As of 5/15/2026)	Ticker	Stock Price	Market Cap	EV	P/E	EV/EBITDA
DICK's Sporting Goods	NYSE: DKS	\$216.48	20,200,000	26,590,000	22.65x	15.69x
Chewy	NYSE: CHWY	\$21.28	9,570,000	9,210,000	44.17x	23.19x
Lowe's	NYSE: LOW	\$218.42	128,370,000	172,060,000	19.34x	13.80x
Home Depot	NYSE: HD	\$297.51	316,190,000	380,150,000	22.31x	15.12x
Tractor Supply Co	NASDAQ: TSCO	\$30.57	16,070,000	22,260,000	15.10x	11.40x

Mean					24.71x	15.84x
Median					22.31x	15.12x
Min					15.10x	11.40x
Max					44.17x	23.19x

Figure 5: Comparable Comps



Financials & DCF

DCF									
USD(\$) ^{in thousands}	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	\$14,204,717	\$14,555,741	\$14,883,231	\$15,524,046	\$15,991,708	\$16,510,420	\$17,026,619	\$17,559,564	\$18,088,224
EBIT	1,434,943	1,478,912	1,467,532	1,467,389	1,511,594	1,560,625	1,609,418	1,659,793	1,709,764
% Margin	10.10%	10.16%	9.86%	9.45%	9.45%	9.45%	9.45%	9.45%	9.45%
(-) Income Tax Expense	315,598	325,176	311,700	302,158	311,261	321,357	331,404	341,777	352,067
Effective Tax Rate	22.47%	22.70%	22.06%	21.61%	21.61%	21.61%	21.61%	21.61%	21.61%
NOPAT	1,119,345	1,153,736	1,155,832	1,165,231	1,200,334	1,239,268	1,278,014	1,318,016	1,357,698
(+) D&A	343,062	393,049	447,162	494,011	508,893	525,400	541,826	558,786	575,609
(-) CapEx	773,369	753,883	784,047	894,770	832,685	870,871	890,872	921,081	947,794
(-) Changes in NWC	271,493	110,725	49,447	(39,994)	34,350	34,091	72,906	(1,808)	(15,920)
Unlevered FCF	417,545	682,177	769,500	804,466	842,192	859,705	856,062	957,529	1,001,433
Discount					1	2	3	4	5
Discount Factor					94.28%	88.88%	83.79%	79.00%	74.48%
PV of FCF					793,989	764,109	717,322	756,421	745,825
EBITDA	1,778,005	1,871,961	1,914,694	1,961,400	2,020,487	2,086,024	2,151,244	2,218,579	2,285,373

Exit Multiple Method	
WACC	6.07%
Exit Multiple	15.84x
Bear	13.84x 2.00x
Base	15.84x
Bull	17.84x 2.00x
Terminal Value	36,200,315
PV of TV	26,960,454
PV of UFCF	3,777,666
Enterprise Value	30,738,121
(-) Debt	1,764,974
(+) Cash	194,109
Equity Value	29,167,256
Shares Outstanding	532178
Implied Share Price	\$54.81
Current Share Price	\$31.62
Implied Upside (Downside)	73.33%

Figure 6: DCF Model

	4.07%	5.07%	6.07%	7.07%	8.07%
11.84x	\$48.26	\$46.02	\$43.90	\$41.89	\$39.99
13.84x	\$55.57	\$52.98	\$50.54	\$48.23	\$46.04
15.84x	\$62.87	\$59.95	\$57.18	\$54.57	\$52.09
17.84x	\$70.18	\$66.92	\$63.83	\$60.91	\$58.14
19.84x	\$77.49	\$73.88	\$70.47	\$67.25	\$64.20

Figure 7: Price Sensitivity



Additional Item

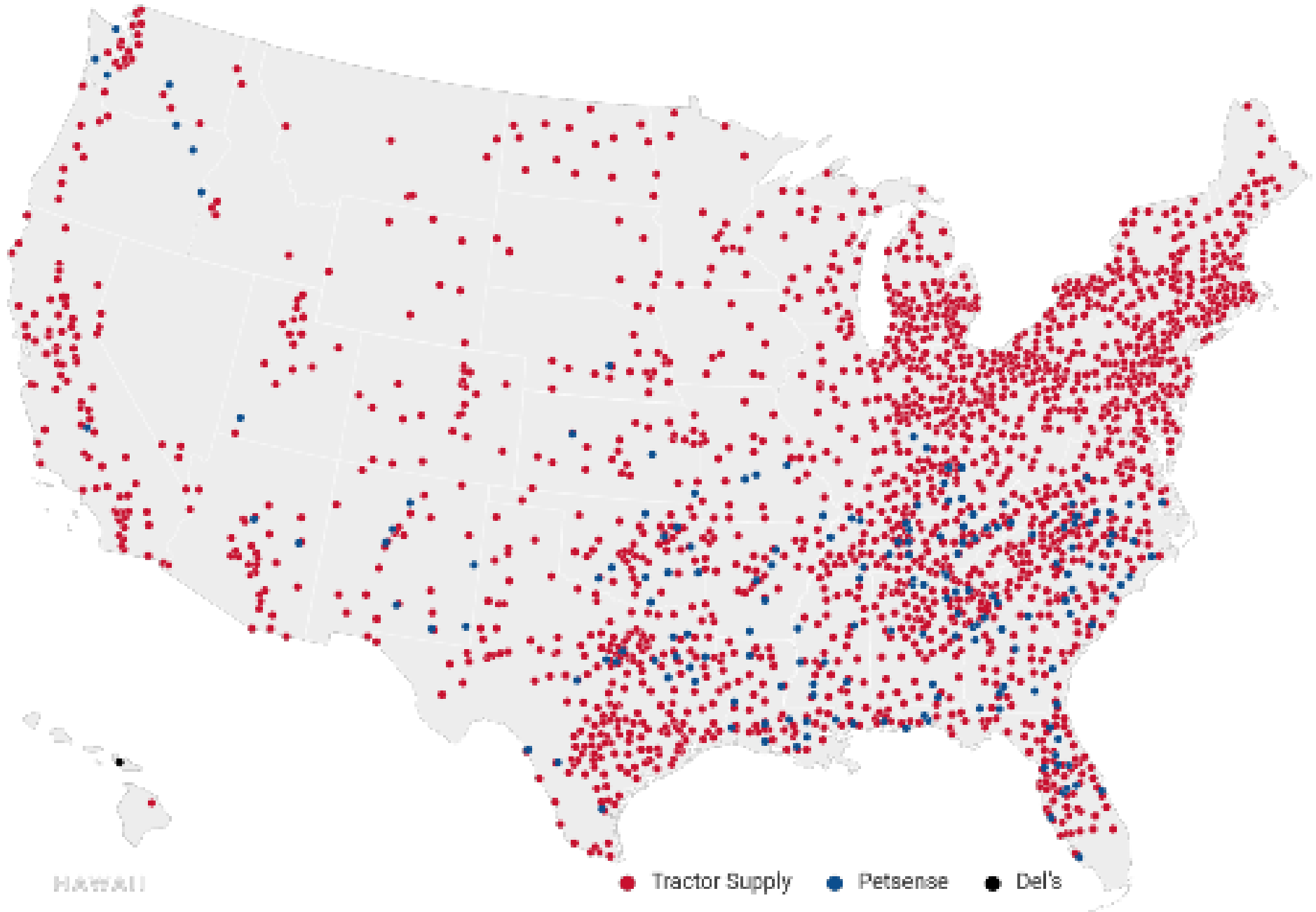


Figure 8: Store Map