Tractor Supply Co. (TSCO)

Earnings Update

Hold | Underperform

Christian Cadena, Ajonte Stville | July 23, 2026

Overview

- Tractor Supply co is known for its excellence in Customer Service and was named one of America's Customer Service Champions by USA Today. They were also featured on Forbes' 2024 Customer Experience All-Stars list, which leaves consumers most satisfied with product, service, and treatment through all departments, influencing buyers to come back.

- It dominates the rural lifestyle niche by serving hobbyist farmers, ranchers, and suburban landowners whom big-box retailers overlook. This targeted positioning shields it from direct competition with e-commerce giants and urban-focused retailers.

- Tractor Supply operates 2400+ stores across 49 states, localizing about 15% of each store's inventory to regional needs while maintaining a convenient, consumables-heavy small-box format.

Results

- Q2 revenue of $4.54B missed consensus by 1.64%, new opening stores provided most of the growth, while existing stores fell 1.5% as transaction counts dropped.

- Earnings per share missed by 2.4%. Comps fell 1.5% as transaction count decreased 1.7%, meaning fewer customers walked in and bought which means they were less revenue to cover the company's largely fixed store costs (rent, labor, utilities) which compressed margin per share.

- The company overall was positive in April and June, with underperformance in May because of weak demand from drought season contributing to the downfall of revenue in the quarter.

Key Performance Indicators

- TSCO completed the acquisition of VIP Petcare, adding approximately 1 million pets annually, and 2,500 veterinarians across 39 states, Lawton CEO says "fills an important gap in our pet ecosystem." Following a displaced review of Petsense TSCO 75 underperforming stores.

- Comparable store sales declined 1.5% as "unusually adverse conditions in May" weighed on discretionary demand, according to CEO Harry Lawton.

- Comparable store sales decline drove operating leverage challenges as operating margin contracted 270 basis points to 10.3%.

- Gross Margin improved by 20 basis points to 37.1%, benefiting from product cost management and tariff-related benefits. However, SG&A expenses increased significantly to 26.8% of sales driven by Petsense impairment charges of $65.8M and comparable store decline.

- TSCO opened 28 new stores and Petsense opened 3 new units during Q2, ending the quarter with 2,463 TSCO supply stores and 209 Petsense locations for a total of 2,672 stores.

Guidance

- Tractor Supply co cut its fiscal 2026 outlook and withdrew its long-term financial framework, now guiding for 2.5% to 3.5% net sales growth, flat to down 1% comps (comparable store sales), and adjusted EPS of $1.90 to $2.00.

- Tractor Supply co is also redirecting its capital toward core growth areas, including closing about 75 underperforming Petsense stores, expanding Fresh pet and VIP Petcare initiatives, and investing in remodels, relocations, and Final Mile delivery.

- Gross Margin is expected "below the prior year for the second half" as "freight costs, including fuel, to remain elevated" and "tariff refunds are expected to be less of a benefit in the second half than they were in the second quarter."

- The company plans to open its "11th distribution center early in the fourth quarter" and that "start-up costs will begin in the third quarter and continue into the fourth quarter" with an SG&A headwind of "approximately 20 basis points" in both quarters; he added "supply chain efficiencies should begin to benefit fourth quarter gross margin by approximately 20 basis points."

IOFS

- Capital Expenditures hit a 10 year high with the recent acquisition of “VIP Petcare.”
- ROE and ROC are still above our thresholds.
- TSCO are now below our Obligation Ratio of <5.0x

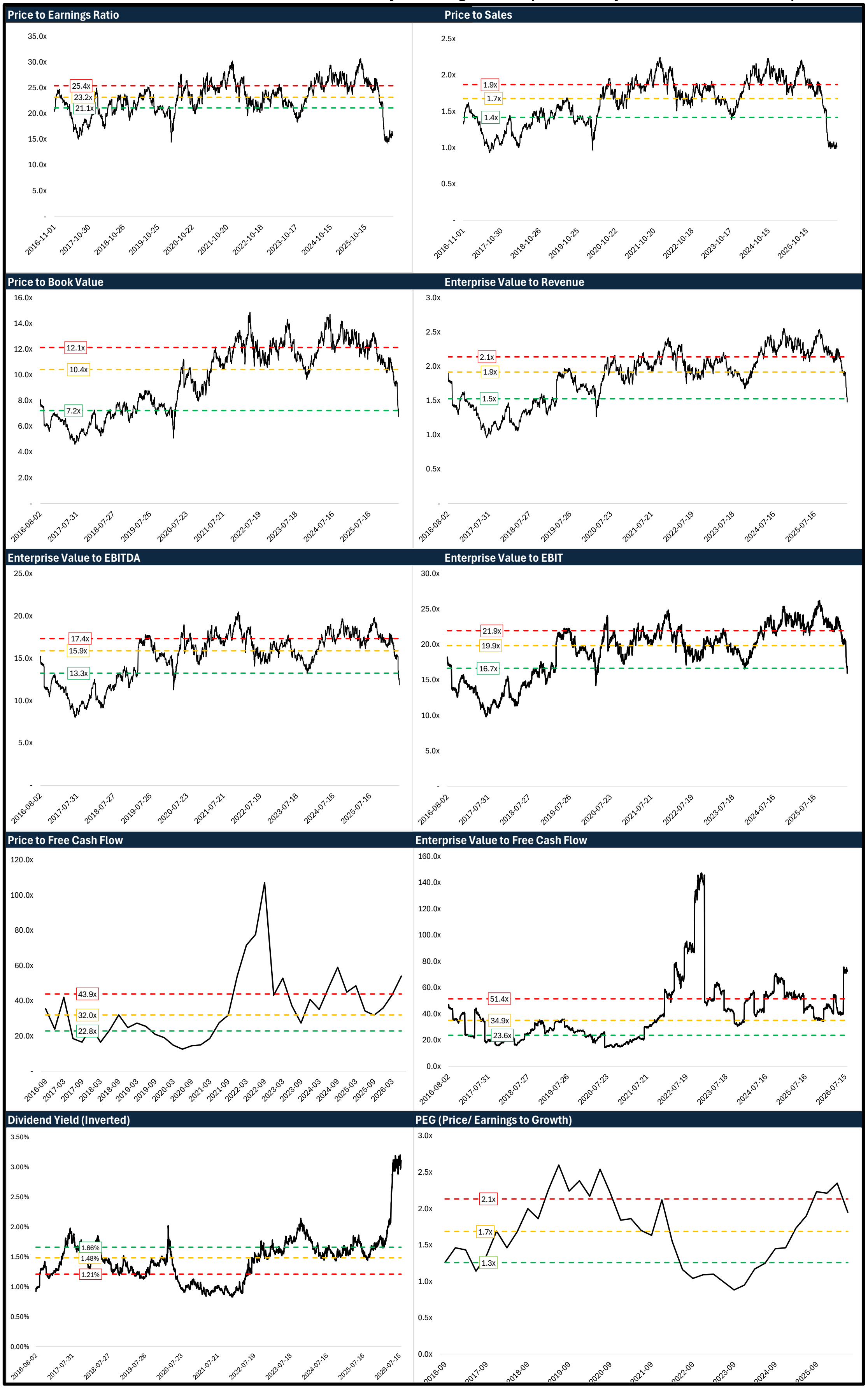
Tractor Supply Co

In Millions ($) Except Per Share Data

7/31/2026	2016-12	2017-12	2018-12	2019-12	2020-12	2021-12	2022-12	2023-12	2024-12	2025-12	TTM	IOFS Threshold
IOFS												
Revenue	$6,780	$7,256	$7,911	$8,352	$10,620	$12,731	$14,205	$14,556	$14,883	$15,524	$15,751	
YoY (%)		7.0%	9.0%	5.6%	27.2%	19.9%	11.6%	2.5%	2.2%	4.3%		
Gross profit	$2,325	$2,492	$2,703	$2,872	$3,762	$4,477	$4,972	$5,228	$5,397	$5,655	$5,743	
YoY (%)		7.2%	8.4%	6.3%	31.0%	19.0%	11.1%	5.1%	3.2%	4.8%		
Operating Income	$694	$686	$702	$743	$1,066	$1,307	$1,435	$1,479	$1,468	$1,467	$1,404	
YoY (%)		(1.1)%	2.2%	5.9%	43.4%	22.6%	9.8%	3.1%	(0.8)%	(0.0)%		
Net Income	$437	$423	$532	$562	$749	$997	$1,089	$1,107	$1,101	$1,096	$1,012	
YoY (%)		(3.3)%	26.0%	5.6%	33.2%	33.1%	9.2%	1.7%	(0.5)%	(0.5)%		
Earnings Per Share	$0.65	$0.66	$0.86	$0.93	$1.28	$1.72	$1.94	$2.02	$2.04	$2.06	$1.92	
YoY (%)		0.9%	30.6%	8.1%	36.9%	35.0%	12.7%	4.1%	1.0%	1.0%		
Shares Outstanding	669	641	617	604	587	579	561	549	540	532	525	
YoY (%)		(4.2)%	(3.7)%	(2.2)%	(2.7)%	(1.4)%	(3.2)%	(2.1)%	(1.7)%	(1.4)%		
Free Cash Flow	$425	$381	$416	$594	$1,101	$510	$584	$580	$637	$740	$307	
YoY (%)		(10.3)%	9.1%	42.9%	85.2%	(53.6)%	14.4%	(0.6)%	9.8%	16.3%		
Cash Flow From Operations	$651	$631	$694	$812	$1,395	$1,139	$1,357	$1,334	$1,421	$1,635	$1,286	
YoY (%)		(3.0)%	10.0%	16.9%	71.8%	(18.3)%	19.2%	(1.7)%	6.5%	15.1%		
Capital Expenditures	$226	$250	$279	$217	$294	$628	$773	$754	$784	$895	$979	
YoY (%)		10.8%	11.2%	(21.9)%	35.2%	113.8%	23.1%	(2.5)%	4.0%	14.1%		
Margins %												
Gross Margin:	34.3%	34.3%	34.2%	34.4%	35.4%	35.2%	35.0%	35.9%	36.3%	36.4%	36.5%	> 40%
Operating Margin:	10.2%	9.5%	8.9%	8.9%	10.0%	10.3%	10.1%	10.2%	9.9%	9.5%	8.9%	> 20%
Net Margin:	6.4%	5.8%	6.7%	6.7%	7.1%	7.8%	7.7%	7.6%	7.4%	7.1%	6.4%	> 10%
Free Cash Flow Margin:	6.3%	5.3%	5.3%	7.1%	10.4%	4.0%	4.1%	4.0%	4.3%	4.8%	1.9%	> 10%
D&A/ Gross Profit:	6.1%	6.7%	6.6%	6.8%	5.8%	6.0%	6.9%	7.5%	8.3%	8.7%	8.9%	< 10%
SG&A/ Gross Profit:	64.0%	65.8%	67.5%	67.3%	65.9%	64.8%	64.2%	64.2%	64.5%	65.3%	66.7%	< 30%
Interest Expense/ Operating Income	0.8%	2.0%	2.6%	2.7%	2.7%	2.0%	2.1%	3.1%	3.7%	4.7%	4.8%	< 35%
Capital Expenditures/ Net Income	51.7%	59.3%	52.3%	38.7%	39.3%	63.0%	71.0%	68.1%	71.2%	81.6%	96.7%	< 50%
Returns %												
Return on Equity:	30.1%	29.8%	34.1%	35.9%	38.9%	49.8%	53.3%	51.5%	48.5%	42.5%	38.5%	> 15%
Return on Capital:	25.3%	22.9%	27.0%	28.6%	25.8%	33.4%	34.0%	28.5%	26.8%	25.2%	21.1%	> 15%
Dividend Yield %	1.2%	1.4%	1.4%	1.5%	1.1%	0.9%	1.6%	1.9%	1.7%	1.8%	3.1%	
Dividend Payout Ratio:	28.1%	31.5%	27.8%	29.1%	21.8%	30.3%	37.9%	40.8%	43.1%	44.7%	29.6%	< 60%
Leverage & Liquidity												
Long Term Debt:	$264	$401	$381	$366	$984	$986	$1,164	$1,729	$1,832	$1,765	$2,154	
Short Term Debt:	$10	$25	$26	$30	-	-	-	-	-	-	-	
Preferred Stock:	-	-	-	-	-	-	-	-	-	-	-	
Leases:	$27	$36	$33	$2,313	$2,557	$2,933	$3,106	$3,307	$3,592	$4,178	$4,391	
Pension Funding Shortfall:	-	-	-	-	-	-	-	-	-	-	-	
Cash and Equivalents:	$54	$109	$86	$84	$1,342	$878	$203	$397	$251	$194	$232	
Marketable Securities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Obligation Ratio	0.6x	0.8x	0.7x	4.7x	2.9x	3.1x	3.7x	4.2x	4.7x	5.2x	6.2x	< 5.0x
Per Share Data												
Revenue	$10.13	$11.32	$12.81	$13.83	$18.09	$21.98	$25.33	$26.53	$27.58	$29.17	$29.80	
Owners Earnings	$0.74	$0.69	$0.78	$0.97	$1.84	$1.41	$1.73	$1.66	$1.72	$1.96	$1.11	
Diluted Earnings	$0.65	$0.66	$0.86	$0.93	$1.28	$1.72	$1.94	$2.02	$2.04	$2.06	$1.92	
Operating Cash Flow	$0.97	$0.99	$1.13	$1.35	$2.38	$1.97	$2.42	$2.43	$2.63	$3.07	$2.43	
Free Cash Flow	$0.64	$0.59	$0.67	$0.98	$1.87	$0.88	$1.04	$1.06	$1.18	$1.39	$0.59	
Dividends	$0.18	$0.21	$0.24	$0.27	$0.30	$0.42	$0.74	$0.82	$0.88	$0.92	$0.94	
Book Value	$2.22	$2.26	$2.56	$2.65	$3.31	$3.54	$3.71	$3.98	$4.27	$4.90	$5.02	

Valuation

Value Bands: Here we see TSCO currently trading in the potentially undervalued 25th percentile.



Valuation:

- Gurufocus 12-month price Target $35.24
- Argus Report, Target Price $40, Buy Rating
- CFRA Report, 12-month target price $35, BUY Rating
- Morning Star Report, Fair Value Estimate $46.00, Undervalued Rating
- Schwab Equity Ratings Report, HOLD rating.

- Upon further evaluation our recommendation would be to **HOLD**, this wide moat business continues to consistently grow and has increased its dividend for the past 17 years. Customers often rely on TSCO for their home, land, pet, and livestock needs. Reports say the shares have significantly unperformed this year due to the companies' rural customers who often drive pick-ups and have long drives between destinations, are struggling due to high gasoline and diesel cost. TSCO continues to be the biggest seller of animal feed in the U.S with more than 20% share. Although shares did gain after the earnings report, concerns about the effect of gas prices may have been anticipated & reports say Investors were please to see the company closing 75 underperforming Petsense stores that were cashflow negative on a per store basis. TSCO plans to direct capital from those stores to their delivery program and other projects.

5 Year Discounted Cash Flow

Ticker:	TSCO
Price:	$30.72
Discount Rate:	11.0%
Method:	EPS
Dividend Payout Ratio	29.6%

Scenario		2025-12	2026	2027	2028	2029	2030	P/E	Total Return Price	Present Value	5 YR Return	Annual Return	Return + Dividends
Bear	EPS	$2.07	$2.07	$2.15	$2.24	$2.35	$2.47	14.0x	$34.56	$20.51	12.5%	**2.4%**	**4.3%**
				4%	4%	5%	5%	15.0x	$37.03	$21.97	20.5%	**3.8%**	**5.6%**
								16.0x	$39.49	$23.44	28.6%	**5.2%**	**6.9%**
Base	EPS	$2.07	$2.19	$2.33	$2.47	$2.64	$2.82	16.0x	$45.16	$26.80	47.0%	**8.0%**	**9.7%**
			6%	6%	6%	7%	7%	20.0x	$56.45	$33.50	83.8%	**12.9%**	**14.4%**
								22.0x	$62.10	$36.85	102.1%	**15.1%**	**16.4%**
Bull	EPS	$2.07	$2.24	$2.41	$2.61	$2.84	$3.10	22.0x	$68.16	$40.45	121.9%	**17.3%**	**18.6%**
			8%	8%	8%	9%	9%	24.0x	$74.35	$44.13	142.0%	**19.3%**	**20.6%**
								26.0x	$80.55	$47.80	162.2%	**21.3%**	**22.4%**

Total RoR Sensitivity

		Est. EPS growth rate		
		4.5%	6.4%	8.4%
P / E	14.0x	2.4%	8.0%	17.3%
	20.0x	3.8%	12.9%	19.3%
	26.0x	5.2%	15.1%	21.3%