



## Tractor Supply Large Call Buy for Earnings Relief Rally

**Ticker/Price:** TSCO (\$93.40)

### Analysis:

**Tractor Supply Co (TSCO)** on 10/16 with the Oct. 25<sup>th</sup> (W) \$94.50 calls opening 4000X at \$2.85, above the offer on a wide bid-ask, positioning for 10-24 earnings. TSCO also saw January \$100 calls with smaller buys on 10/14 and on 10/1 the November \$92.5/\$97.5 call ratio spread opened 1800X3600. TSCO shares have closed higher four of the last six earnings reports with a 6.9% average max move, and options pricing in a 5.5% move this quarter on the report. On the chart TSCO shares have pulled back off the July highs to the rising 21 week moving average and a 38.2% Fibonacci of the 2017/2019 strong trend, making \$89.50 a key level. TSCO is a name that could benefit from a Chinese agricultural deal that puts more income into farmer's pockets and boosts their spending. The \$11.25B specialty retailer trades 17.75X Earnings, 1.37X Sales and 30.5X FCF with a 1.4% dividend yield. TSCO forecasts see 6-7% annual revenue growth and 10-12% EPS growth. Analysts have an average target of \$113 and short interest at 3.1% of the float is at a one-year high. TAG lowered its target to \$108 in August on uncertainty after the COO resignation, but noted improvements in operating trends and the ongoing digital transformation. TSCO is also searching for a CEO externally, a potential catalyst. TSCO has been posting impressive same store sales and seen to have further room for margin expansion while its Neighbor's Club membership program is gaining traction. Wells Fargo lowered its target to \$115 earlier this week noting sentiment has turned deeply negative and sees relief rally potential. Northcoast raised to Buy on 10/2 with a \$110 target citing strong customer demand from its survey. Hedge Fund ownership rose 4.33% in Q2 filings.

### Hawk Vision:



**Hawk's Perspective:** TSCO held a pivotal support level and remains a favorite niche Retail play with strong fundamentals, so agree on the potential for a nice relief rally and potential further upside is a good CEO is selected. The November \$92.5/\$97.5/\$100 call fly is a nice way to play it.

**Confidence Ranking:** \$\$