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HARBOR FREIGHT TOOLS
Quality Tools at Ridiculously Low Prices

STORE COUNT: 1580

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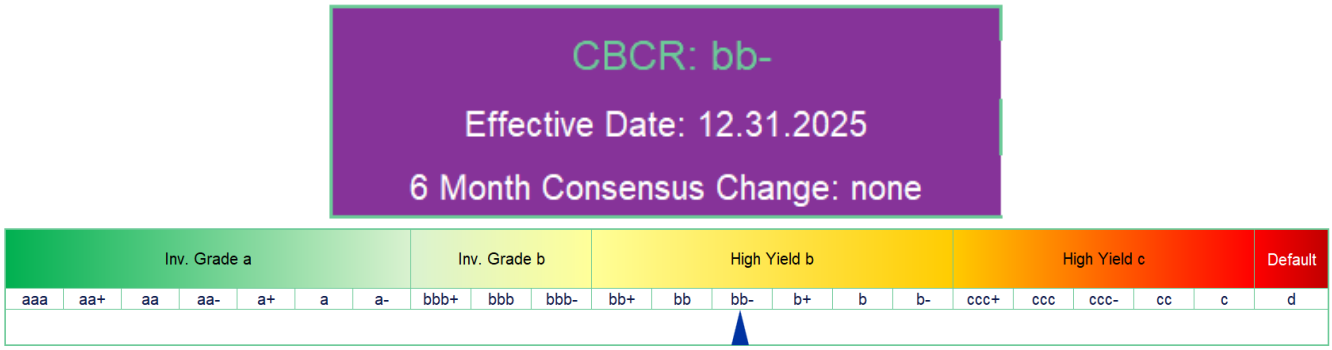
ANALYST'S INSIGHT

Harbor Freight Tools, a discount tool and equipment retailer selling predominantly private-label items, operates over 1,600 stores nationwide and has rapidly expanded its business operations by opening new locations near its main competitors, which has resulted in market share gains over the past few years. The Company has seen success in navigating the volatility experienced in its freight and supply chain costs, which has led to improved profitability. Harbor Freight's strategy of direct sourcing of proprietary brands has driven its ability to price merchandise at relatively lower price points versus its competitors. The Company also continues to reduce its reliance on China and has increased its range of products to include items that can meet not only the needs of the DIY customer but also the professional contractor. As a result, we believe Harbor Freight is well-positioned in a consumer environment where customers are focused on value. Sales advanced about 8% in FY25 (ended in July) to $8.20 billion, compared to $7.60 billion in FY24. Going forward, Harbor Freight will likely continue to take market share by pricing competitively and increasing customer loyalty, as well as benefiting from the trade-down effect as consumers increasingly look for value. Following recent supply chain stresses caused by elevated tariffs, the Company has decreased its new openings to around 80 in FY25, compared to a three-year average of about 115 new stores per year. We anticipate the Company will continue to slow the pace of new openings in FY26.

Harbor Freight's owners have a history of extracting dividends paid for by adding additional debt to the Company's balance sheet. However, the Company has demonstrated a track record of rapid growth and good operating performance and, more recently, has committed to a more conservative financial policy, including reducing outstanding debt and limiting the amount of discretionary dividend payments going forward. During FY24, the Company increased the size of its revolving credit facility to $1.60 billion, from $1.275 billion, and extended its maturity to 2029; its term loan maturity was extended to 2031 (see below for additional information). Harbor Freight has been paying down revolver borrowings and, as a result, we estimate that debt to EBITDA, while still elevated, currently hovers in the 3.5x to 4x range, compared to the low-6x range in FY23. We believe the Company continues to maintain adequate liquidity, supported by its revolver and an undisclosed amount of cash on hand. Estimated free cash flow is expected to slip to the $400 million range in FY26, from about $650 million in FY24, before improving in FY27 as the Company continues to adjust its supply chain and optimize its promotional and product offerings.

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CREDIT BENCHMARK CONSENSUS RATING (CBCR)



Credit Benchmark provides Credit Consensus Ratings (CCR) based on the internal risk views of over 40 major financial institutions with direct financial exposure to the underlying entities. The CCR is based on equally weighted Probability of Default estimates from at least three contributing banks for the same legal entity.

BACKGROUND

Founded in Southern California in 1977 as a small family-owned business by Eric Smidt, Harbor Freight Tools operates as a discount tool seller. The Company, which opened its first store in 1980, currently has over 1,600 locations across the U.S., offering more than 7,500 tools and accessories at quality levels that match or exceed competing name brands but at prices that are up to 80% lower.

WHAT'S HAPPENING

Tariff Impact

While tariffs remain a headwind for Harbor Freight, management has responded with a mitigation strategy that includes diversifying sourcing away from China, refining its product assortment and renegotiating with suppliers. However, margins are projected to decline in FY26 as the Company absorbs most cost increases, partially offset by targeted price actions, cost controls and a slower pace of store openings. Over the medium term, tariff risk should be less severe as Harbor Freight reduces its reliance on China over the next two years from more than 60% in FY25 and continues to leverage its value-oriented positioning.

Distribution Centers

In 2024, Harbor Freight opened its most recent distribution center (DC), a 780,000-square-foot facility in Frederickson, WA.

The Company's other DCs are in Moreno Valley, CA; Dillon, SC; Ft. Worth, TX; and Joliet, IL.

Store Activity

In June 2025, Harbor Freight opened its 1,600th location. The Company's stores average 15,000 to 16,500 square feet and are typically 70% retail selling area and 30% warehousing space. The Company decreased its new openings to about 80 in the 12 months ended August 2025, compared to a three-year average of about 115 new stores per year. The Company is expected to further decelerate its new store openings in FY26.

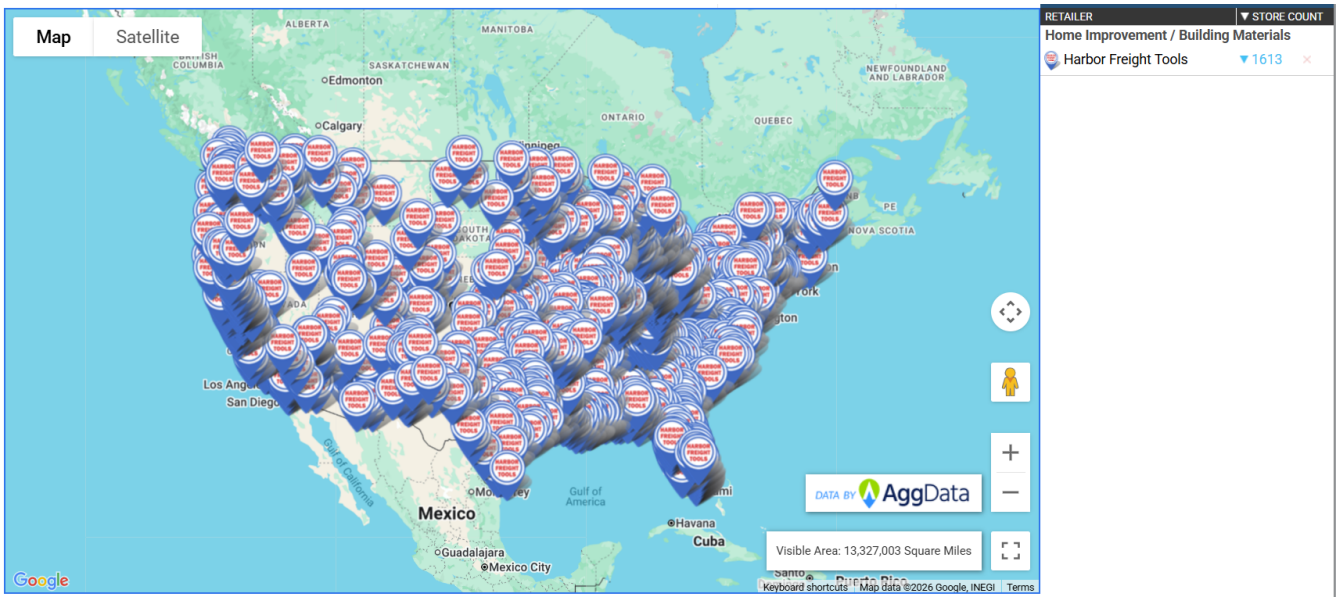
Credit Facility / Other Debt

The Company maintains a $1.60 billion asset-based revolver with Wells Fargo that matures June 21, 2029; at January 31, 2025 (latest available information), $1.17 billion was available, with $390 million outstanding.

On June 11, 2024, the Company entered into a new $2.85 billion senior secured term loan B with UBS Securities that matures June 11, 2031; interest is at one-month term SOFR plus 250 bps. As of December 31, 2024 (latest available information), $2.83 billion was outstanding.

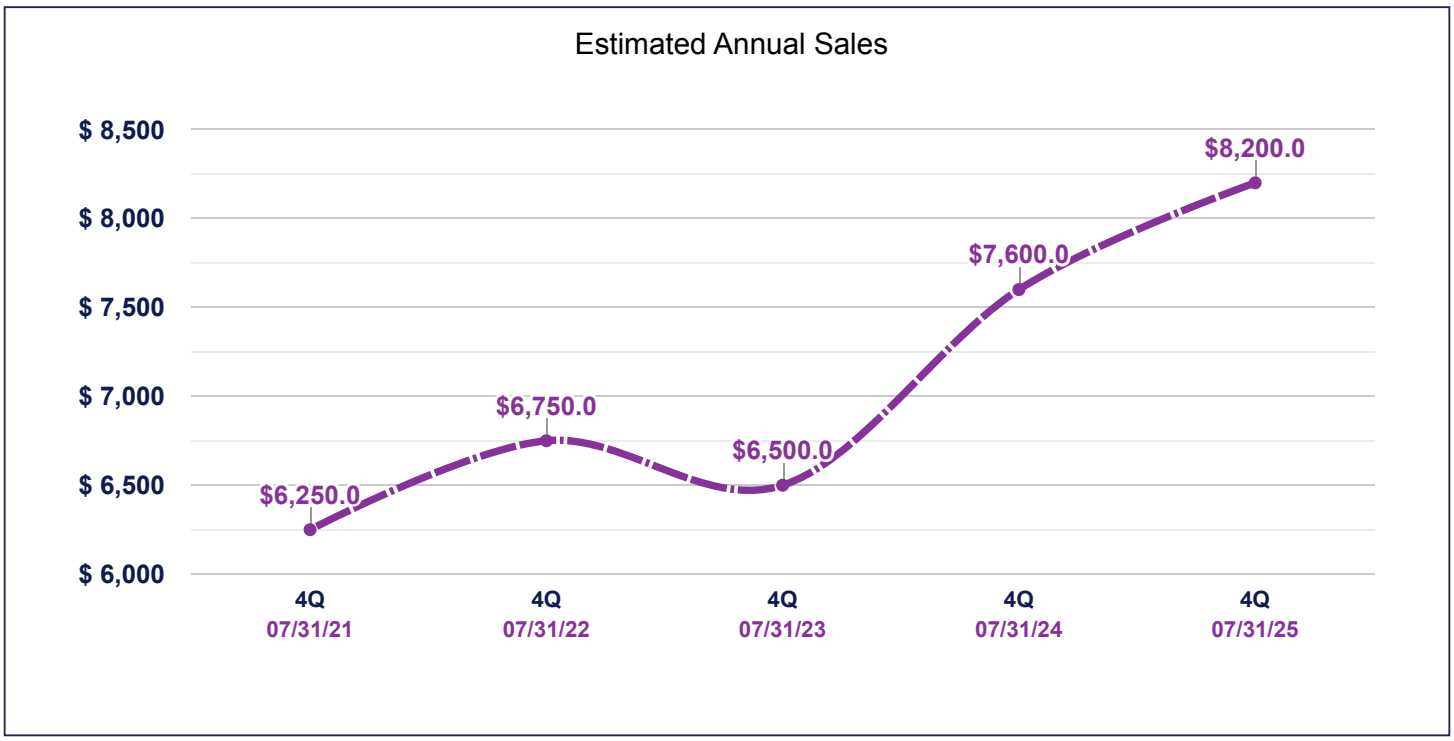
STORE TRENDS

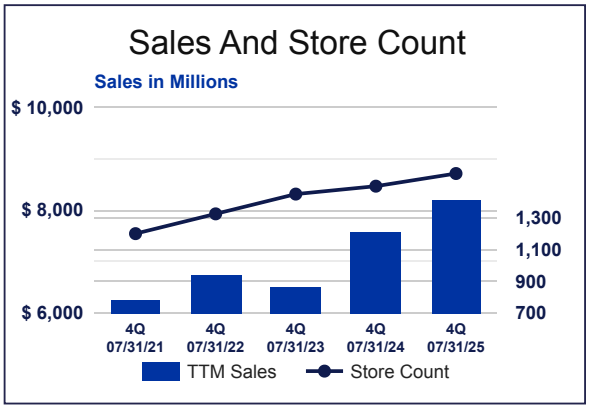
Harbor Freight operates more than 1,600 stores throughout the U.S. Click on the picture to view a more interactive analysis of the Company's real estate:



PERFORMANCE CHARTS

(U.S. Dollars In Millions Unless Otherwise Noted)





BUSINESS DESCRIPTION

Harbor Freight Tools is a privately held discount tool and equipment retailer, based out of Calabasas, CA.

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KEY PERSONNEL

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