

Fastenal: Where should the next increment of capacity go?

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A network built around customer work

Fastenal began as a fastener distributor and grew into a North American and international industrial-supply network. At year-end 2025, the company reported 1,595 branches in 25 countries, 15 North American distribution centers, additional centers in Asia and Europe, and 24,489 employees. Its service model connects that network to customer locations through inventory programs, vending devices, and digital purchasing tools.

Those elements overlap. A customer location may use more than one Fastenal service, and distribution, branch, sales, technology, and inventory capabilities can support the same relationship. Fastenal's filings do not report each customer's combination of services or the cost and return of serving that customer.

Fastenal has said that it prioritizes customer Sites with potential monthly sales of \$50,000 or more. Beginning in 2025, it reported customer Sites rather than public counts of branches and customer-dedicated Onsites. Its reported \$50,000-plus monthly-spend Sites are an "Onsite-like" proxy, not a count of actual Onsites. The potential-sales target and current-spend category describe different things.

The assignment

Imagine that Fastenal's executive team has asked you, in a **hypothetical outside strategy-adviser role**, to recommend where the company should direct its next increment of commercial and operating capacity. Should it deepen service at high-spend customer locations, broaden coverage and digital access across more customers, or combine these approaches selectively?

This assignment is fictional. By the information cutoff, Fastenal had not announced an either-or choice or a dedicated budget between these approaches. Its filings describe branches, Sites, FMI and digital tools as connected parts of its service model. Your task is to recommend priorities and decision rules without treating those activities as mutually exclusive channels. State what additional evidence you would require before making a large commitment.

Growth, mix, and operating trade-offs

Fastenal reported second-quarter 2026 sales of \$2.387 billion, up 14.7% on a daily-sales basis from the same number of selling days a year earlier. Management attributed the growth to customer contract signings, pricing, and a modest improvement in industrial production. It estimated that pricing contributed approximately 290 basis points to sales growth. The reported increase therefore does not isolate volume, market-share change, or the effect of any one service model.

Exhibit 1. Selected second-quarter results

USD millions except percentages and customer-site measures

Measure	Q2 2026	Q2 2025
Net sales	\$2,386.9	\$2,080.3
Daily-sales growth	14.7%	8.6%
Gross margin	44.6%	45.3%
SG&A as a share of sales	23.5%	24.4%
Operating margin	21.0%	21.0%
Operating cash flow	\$265.7	-

Fastenal attributed about 40 basis points of the gross-margin decline to unfavorable net price/cost, with other effects from mix, transportation, and rebates. It said larger-customer relationships typically carry lower gross-margin percentages but can generate more absolute profit dollars and fixed-cost leverage. That is management's explanation; the filing does not disclose customer-level margins or contribution.

Source: Fastenal Q2 2026 Form 10-Q, MD&A, pp. 14-20; July 14 earnings release. Operating margin is GAAP operating income divided by net sales. Figures are company-reported; the release reports cash from operations of \$265.7 million.

Exhibit 2. Contract sales and customer Sites

Measure	Q2 2026	Q2 2025
Contract share of sales	75.8%	73.2%
Contract daily-sales growth	17.6%	11.0%
Non-contract share of sales	24.2%	26.8%
Non-contract daily-sales growth	7.3%	2.6%
Average total customer Sites	93,283	101,440
Average \$50k-plus monthly-spend Sites	3,125	2,683
Sales associated with \$50k-plus Sites	\$1,381.2m	\$1,094.1m
Monthly sales per \$50k-plus Site	\$147,328	\$135,930

“Contract” includes national multi-site, local/regional, and government customers with significant revenue potential. The category does not identify every smaller customer. Site tiers are nested: the \$50k-plus tier is included in the \$10k-plus and \$5k-plus tiers. Site counts do not reveal acquisition cost, retention, conversion, or profitability. A change in site counts alongside higher-spend growth does not show why customers moved between categories.

Source: Fastenal Q2 2026 Form 10-Q, customer contract and Site tables, pp. 16-17. The company labels the \$50k-plus category an “Onsite-like” proxy.

Digital and inventory services

Fastenal’s FMI offering includes FASTStock, FASTBin, and FASTVend. FASTStock supports inventory management; FASTBin and FASTVend use hardware to facilitate customer access and replenishment. Fastenal also supports eProcurement, electronic data interchange, and eCommerce. Management presents these tools as part of a broader customer service model.

Exhibit 3. FMI and digital measures

Measure	Q2 2026	Q2 2025
Weighted FASTBin/FASTVend signings	6,993 MEUs	6,458 MEUs
FASTBin/FASTVend installed, period end	140,789 MEUs	132,174 MEUs
FMI sales	\$1,081.0m	\$928.5m
eBusiness sales	\$711.9m	\$631.9m
FMI/eBusiness overlap	\$299.9m	\$275.7m
Digital Footprint sales	\$1,492.9m	\$1,284.7m

MEUs weight vending hardware by targeted monthly throughput. FMI and eBusiness are not separate, additive sales channels: the filing reports overlap, and defines Digital Footprint as FMI

plus eBusiness less overlap. Movement of existing purchases to digital or managed-inventory tools may change the reported mix without representing new customer demand.

Source: Fastenal Q2 2026 Form 10-Q, FMI and eBusiness tables, p. 18. Dollar sales and MEUs are company-reported.

Capital and working-capital context

Fastenal expected 2026 net capital expenditures of \$310-330 million, compared with \$230.6 million in 2025. Management identified an Atlanta distribution-hub replacement and picking capacity, trucking, and information technology among the spending areas. The company did not identify a ring-fenced budget for high-spend Sites or broader customer coverage.

At June 30, 2026, cash and equivalents were \$204.7 million; current and long-term debt totaled \$120 million. Trade working capital-accounts receivable plus inventory less accounts payable-was \$2.893 billion, up 5.9% year over year. Fastenal noted that larger customers can have longer payment terms. These company-wide figures provide operating context, not customer-cohort cash requirements or returns.

Source: Fastenal Q2 2026 Form 10-Q, MD&A and balance sheet, pp. 1-2, 20-21. Working-capital definition is the company's.

Competitors also combine service modes

Fastenal is not the only industrial distributor to combine product availability, customer-site inventory support, technology, and a broader distribution network. W.W. Grainger's 2025 Form 10-K describes KeepStock onsite inventory management, technical support, branches, product breadth, and eCommerce. MSC Industrial's 2025 Form 10-K describes vendor-managed and customer-managed inventory, vending, in-plant services, and online channels. These filings establish overlapping service approaches; they do not provide a like-for-like comparison of customer mix, market share, or returns.

Source: Grainger 2025 Form 10-K, Item 1; MSC Industrial 2025 Form 10-K, Item 1, pp. 2-4.

Research offers competing mechanisms

Research on supply-chain integration suggests that coordination among a company, its customers, and its internal functions can be associated with stronger operational performance. One survey of 617 manufacturers across five Chinese cities/regions found relationships between integration patterns and operational/business performance. Its cross-sectional manufacturing sample does not establish the return to a Fastenal investment.

Vendor-managed-inventory studies also counsel against assuming that all benefits accrue to both sides. One buyer-side study's abstract emphasizes service and control outcomes; an analytical model shows buyer profit improving under modeled conditions while supplier profitability varies with costs. The full-text access and settings of these studies differ, and none estimates Fastenal's economics.

Your recommendation

Recommend how Fastenal should prioritize its next increment of commercial and operating capacity. You may favor deeper service at high-spend Sites, broader network and digital coverage, or a selective combination. Identify the customer needs and capabilities that support your choice, the risks or opportunity costs, and the operating measures that should guide implementation.

1. What do the contract, Site, FMI, and digital data establish-and what remains unknown?
2. Which services might reinforce one another, and what evidence would demonstrate that they do?
3. What should receive additional commercial and operating capacity, and what should be preserved across the broader network?
4. What evidence gates should determine whether Fastenal expands, adjusts, or stops a new effort?

Source note

All company facts are limited to information available by July 16, 2026. Primary source links and precise locators, academic citations and access-depth notes are in the research source register and evidence extraction. Key filings: Fastenal [2025 Form 10-K](#), [Q2 2026 Form 10-Q](#), and [Q2 2026 earnings release](#). Competitor sources are Grainger's [2025 Form 10-K](#) and MSC Industrial's [2025 Form 10-K](#).

The adviser assignment and alternatives are hypothetical, not announcements by Fastenal. No post-cutoff outcomes are included.