

HOME DEPOT NYSE:HD

RECENT PRICE **116.18** P/E RATIO **21.5** (Trailing: 23.4 Median: 15.0) RELATIVE P/E RATIO **1.23** DIV'D YLD **2.1%** VALUE LINE

TIMELINESS 1 Raised 9/4/15	High: 44.3	44.0	43.9	42.0	31.1	29.4	37.0	42.5	65.9	82.5	106.0	123.8	Target Price Range
SAFETY 1 Raised 10/5/07	Low: 32.3	34.6	32.8	25.6	17.0	17.5	26.6	28.1	41.9	62.4	74.0	92.2	2018 2019 2020
TECHNICAL 3 Raised 9/11/15	LEGENDS — 12.5 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession												
BETA .95 (1.00 = Market)													



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
16.68	19.68	22.83	25.40	27.31	33.86	38.38	46.11	45.77	42.03	38.84	41.90	45.80	50.37	57.11	63.64	70.45	75.15	Sales per sh ^A	93.95
1.21	1.37	1.62	1.99	2.27	2.93	3.44	3.82	3.50	2.81	2.66	3.07	3.55	4.21	5.08	5.96	6.75	7.70	"Cash Flow" per sh	9.25
1.00	1.10	1.29	1.56	1.88	2.26	2.72	2.79	2.27	1.78	1.66	2.03	2.47	3.10	3.76	4.56	5.25	6.05	Earnings per sh ^{AB}	7.50
.11	.16	.17	.21	.26	.33	.40	.68	.90	.90	.90	.95	1.04	1.16	1.56	1.88	2.36	2.48	Div'ds Decl'd per sh ^C	3.20
5.36	6.46	7.71	8.64	9.44	11.19	12.67	12.71	10.48	10.48	11.42	11.64	11.64	11.98	9.07	7.13	6.85	6.70	Book Value per sh ^E	9.75
2304.3	2323.7	2345.9	2293.0	2373.0	2158.7	2124.0	1970.0	1690.0	1696.0	1698.0	1623.0	1537.0	1484.0	1380.0	1307.0	1245.0	1195.0	Common Shs Outst'g ^D	1075.0
45.8	46.6	35.6	22.6	16.7	16.7	14.7	13.7	15.4	14.3	15.3	15.6	15.0	17.9	20.2	19.1	19.1	19.1	Avg Ann'l P/E Ratio	17.0
2.61	3.03	1.82	1.23	.95	.88	.78	.74	.82	.86	1.02	.99	.94	1.14	1.13	1.01	1.01	1.01	Relative P/E Ratio	1.05
.2%	.3%	.4%	.6%	.8%	.9%	1.0%	1.8%	2.6%	3.5%	3.5%	3.0%	2.8%	2.1%	2.1%	2.2%	2.2%	2.2%	Avg Ann'l Div'd Yield	2.5%

CAPITAL STRUCTURE as of 8/2/15					81511	90837	77349	71288	65955	67997	70395	74754	78812	83176	87700	92200	Sales (\$mill) ^	101000
Total Debt \$19375 mill. Due in 5 Yrs \$4391 mill.					33.5%	32.8%	33.6%	33.7%	33.9%	34.3%	34.5%	34.6%	34.8%	34.8%	34.8%	34.9%	Gross Margin	34.8%
LT Debt \$16318 mill. LT Interest \$980 mill.					13.3%	12.6%	11.6%	8.6%	10.1%	11.0%	11.7%	12.7%	13.7%	14.6%	15.0%	15.2%	Operating Margin	14.8%
(Total interest coverage: 12.9x. LT int earned: 13.5x)					2042	2147	2234	2274	2244	2248	2252	2256	2263	2269	2275	2280	Number of Stores	2300
(65% of Cap'l)					5838	5761	4210	2982	2811	3371	3883	4680	5385	6139	6745	7500	Net Profit (\$mill)	8060
Leases, Uncapitalized Annual rentals \$895 mill.					37.1%	38.1%	36.4%	37.4%	34.5%	36.7%	36.0%	36.5%	36.4%	36.4%	36.5%	36.5%	Income Tax Rate	37.0%
No Defined Benefit Pension Plan					7.2%	6.3%	5.4%	4.2%	4.3%	5.0%	5.5%	6.3%	6.8%	7.4%	7.7%	8.1%	Net Profit Margin	8.0%
Pfd Stock None					2445	5069	1968	2209	3537	3357	5144	3910	4530	4033	4000	4000	Working Cap'l (\$mill)	3000
Common Stock 1,284,103,307 shs. as of 8/18/15 MARKET CAP: \$149 billion (Large Cap)					2672	11643	11383	9667	8662	8707	10758	9475	14691	16869	17000	17000	Long-Term Debt (\$mill)	17000
					26909	25030	17714	17777	19393	18889	17898	17777	12522	9322	8500	8000	Shr. Equity (\$mill)	10500
CURRENT POSITION					20.0%	16.2%	15.5%	11.9%	11.1%	13.0%	14.5%	18.3%	21.0%	25.0%	28.5%	32.0%	Return on Total Cap'l	30.5%
					21.7%	23.0%	23.8%	16.8%	14.5%	17.8%	21.7%	26.3%	43.0%	65.9%	79.5%	94.0%	Return on Shr. Equity	77.0%
2013					18.5%	17.4%	14.1%	8.2%	6.6%	9.5%	12.6%	16.5%	25.1%	38.7%	43.5%	55.5%	Retained to Com Eq	44.0%
2014					15%	24%	41%	51%	54%	47%	42%	37%	42%	41%	45%	41%	All Div'ds to Net Prof	43%
8/2/15																		

Cash Assets	1929	1723	4936
Receivables	1398	1484	1696
Inventory (LIFO)	11057	11079	11859
Other	895	1016	1040
Current Assets	15279	15302	19531
Accts Payable	5797	5807	7495
Debt Due	33	328	3057
Other	4919	5134	5847
Current Liab.	10749	11269	16399

BUSINESS: The Home Depot, Inc. operates a chain of 2,270 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of 8/2/15). Acquired Hughes Supply in 1/06. Average store size: 104,000 sq. ft. indoor plus 24,000 sq. ft. garden center. Items stocked: about 35,000. Product lines include building materials, lumber, floor/wall coverings; plumbing, heating, and electrical; paint & furniture; seasonal and specialty items; hardware & tools. Has about 365,000 employees. Off. & dir. own less than 1.0% of common; Capital World Investors, 7.8% (4/15 Proxy). CEO & President: Craig Menear. Incorporated: DE. Address: 2455 Paces Ferry Road N.W., Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

ANNUAL RATES						Past	Past	Est'd '12-'14
of change (per sh)						10 Yrs.	5 Yrs.	to '18-'20
Sales						7.0%	6.0%	8.5%
"Cash Flow"						8.0%	11.0%	10.5%
Earnings						7.0%	15.0%	12.0%
Dividends						19.0%	11.0%	13.0%
Book Value						-0.5%	-2.5%	0.5%

Fiscal Year Begins	QUARTERLY SALES (\$mill.) ^A				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
2012	17808	20570	18130	18246	74754
2013	19124	22522	19470	17696	78812
2014	19687	23811	20516	19162	83176
2015	20891	24829	21730	20250	87700
2016	22000	26250	22800	21150	92200

Fiscal Year Begins	EARNINGS PER SHARE ^{A B}				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
2012	.65	1.01	.74	.67	3.10
2013	.83	1.24	.95	.73	3.76
2014	.96	1.52	1.10	1.00	4.56
2015	1.16	1.66	1.32	1.11	5.25
2016	1.32	1.97	1.50	1.26	6.05

Cal-endar	QUARTERLY DIVIDENDS PAID ^C				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.25	.25	.25	.29	1.04
2012	.29	.29	.29	.29	1.16
2013	.39	.39	.39	.39	1.56
2014	.47	.47	.47	.47	1.88
2015	.59	.59	.59		

Home Depot stock rose to an all-time high on the heels of upbeat fiscal second-quarter (ended August 2nd) results and increased guidance. The July-period was buoyed by the ongoing recovery in the U.S. housing market, and sales climbed 4.3% from a year earlier, a bit ahead of our call. The gain would have been stronger were it not for the strength of the U.S. dollar, which stole about \$365 million from the top line. Comparable-store sales rose 4.2%, while stores in the United States posted a 5.7% comp gain. In terms of profitability, the gross margin expanded six basis points from a year earlier, while total operating expenses as a percentage of sales declined 15 basis points. A \$92 million pretax expense related to the company's 2014 data breach sapped \$0.05 a share from the bottom line, and GAAP earnings were \$1.73 a share (including a \$0.07 gain from the sale of the retailer's remaining equity stake in HD Supply). Excluding this gain, but including the breach-related charge, the bottom line rose 9% from a year earlier, to \$1.66 a share (we had looked for \$1.68).

Strong top- and bottom-line gains are likely to persist through the second half of 2015. This is despite headwinds from unfavorable foreign currency movements and the possibility of additional breach-related expenses. Indeed, there are a number of things that should work in The Home Depot's favor, most notably housing. While GDP growth will likely be modest, housing ought to remain supportive due to favorable trends in home-price appreciation and household turnover and formation. Meantime, the company's recent acquisition of Interline Brands, a national distributor of maintenance, repair, and operations products, for \$1.625 billion, should be accretive.

Adding it all up, management now looks for comps to climb 4.1%-4.9% for the whole of 2015, up from prior guidance of a 4.0%-4.6% gain. Meantime, sales growth should total 5.2%-6.0%, above the earlier call of 4.2%-4.8%. For our part, we now think the retailer will earn \$5.25 a share on sales of \$87.7 billion this fiscal year. Despite its recent price gains, we continue to like this timely stock, especially for conservative accounts.

Matthew Spencer, CFA September 25, 2015