

| Cash Assets | 1929 | 1723 | 3040 |
| :---: | :---: | :---: | :---: |
| Receivables | 1398 | 1484 | 1942 |
| Inventory (LIFO) | 11057 | 11079 | 12495 |
| Other | 895 | 1016 | 1129 |
| Current Assets | 15279 | 15302 | 18606 |
| Accts Payable | 5797 | 5807 | 7236 |
| Debt Due | 33 | 328 | 3047 |
| Other | 4919 | 5134 | 5693 |
| Current Liab. | 10749 | 11269 | 15976 |


| ANNUAL RATES <br> of change (per sh) <br> Sales <br> "Cash Flow" <br> Earnings <br> Dividends <br> Book Value |  | Past P <br> 10 Yrs. 5 <br> $7.0 \%$  <br> $8.0 \%$ 1 <br> $7.0 \%$ 1 <br> $19.0 \%$ 1. <br> $-0.5 \%$  |  | Past Est'd '12.'14 <br> 5 Yrs. to' 18.20 <br> $6.0 \%$ 9.20 <br> $11.0 \%$ $11.5 \%$ <br> $15.0 \%$ $13.5 \%$ <br> $11.0 \%$ $13.0 \%$ <br> $-2.5 \%$ Nil |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| $\begin{array}{\|c} \text { Fiscal } \\ \text { Yeail } \\ \text { Begins } \end{array}$ | $\begin{aligned} & \text { QUAR } \\ & \text { Apr.Per } \end{aligned}$ | I.Per | Oct.Per | $\begin{aligned} & \text { III. }{ }^{\text {A }} \\ & \text { Jan.Per } \end{aligned}$ | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| 2012 | 17808 | 20570 | 18130 | 18246 | 74754 |
| 2013 | 19124 | 22522 | 19470 | 17696 | 78812 |
| 2014 | 19687 | 238112 | 20516 | 19162 | 83176 |
| 2015 | 20891 | 248292 | 21819 | 20361 | 87900 |
| 2016 | 22200 | 26425 | 22950 | 21325 | 92900 |
| $\begin{gathered} \text { Fiscal } \\ \text { Year } \\ \text { Yegins } \end{gathered}$ | EARNINGS PER SHARE A B Apr.Per Jul.Per Oct.Per Jan.Per |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| 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 | 1.35 | 1.11 | 5.28 |
| 2016 | 1.35 | 2.00 | 1.55 | 1.25 | 6.15 |
| Calendar | QUARTERLY DIVIDENDS PAID ${ }^{\text {c }}$ |  |  |  | Full Year |
| 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 | . 59 |  |

BUSINESS: The Home Depot, Inc. operates a chain of 2,273 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of $11 / 1 / 15$ ). 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; plumb

## Home Depot stock continued to climb

 higher over the past three months, hitting new all-time highs in the process. Solid fiscal third-quarter (ended November 1st) results helped. Sales rose 6.4\% from a year earlier, slightly ahead of our forecast, and top-line strength was broad based across geographies and product categories. Big-ticket sales (those above $\$ 900$ ) were up $7.8 \%$, and ongoing investments to integrate online, mobile, and in-store selling helped drive a $25 \%$ jump in online sales, which accounted for $5.1 \%$ of the top line. Same-store sales climbed $5.1 \%$, with domestic locations posting a $7.3 \%$ advance. Meantime, the gross margin expanded 34 basis points, helped by lower shrinkage and supply-chain efficiencies (including depressed fuel prices). All told, earnings were $\$ 1.35$ a share in the fiscal third quarter (including $\$ 0.01$ of expenses related to the 2014 data breach and a $\$ 0.03$ hit from unfavorable foreign currency movements), $\$ 0.03$ higher than our forecast and up 23\% from a year earlier. Management will likely keep it humming in the near term. The retailer honed its fiscal 2015 guidance and expectsing, 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, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.
most metrics to come in near the high ends of its previously communicated ranges. To wit, sales are apt to climb $5.7 \%$ (the prior range was $5.2 \%-6.0 \%$ ), while comps are expected to rise 4.9\% (up from $4.1 \%-4.9 \%)$. Stock repurchases should amount to $\$ 7$ billion in fiscal 2015, with about $\$ 2$ billion of that coming in the $J$ anuary term. GAAP earnings guidance was $\$ 5.36$ a share ( $\$ 5.31-\$ 5.36$ previously).
A number of macro and companyspecific items underpin our bullish outlook. Favorable trends in housing turnover and household formation augur well, as do declines in the unemployment rate, rising home prices, modest GDP growth, historically low interest rates, and easing lending standards. Specific to The Home Depot, its efforts to court professional customers and integrate online and mobile selling ought to support sales. Rising comps should in turn support profitability. Adding it all up, we continue to like this timely blue-chip for a variety of investors, especially conservative growthoriented accounts with a taste for welldefined total returns.
Matthew Spencer, CFA December 25, 2015

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[^0]:    (A) Fiscal year ends Sunday closest to January

    31st of the following year.
    (B) Diluted earnings. Excludes nonrecurring gains/(losses): '07, (\$0.10); '08, (\$0.44); '09,
    (\$0.09); '10, (\$0.02); '12, (\$0.10); '14, \$0.15;
    '15, \$0.12. Totals may not sum due to round-
    15, \$0.12. Totals may not sum due to rounding. Next earnings report due February 23 rd.
    (C) Dividends historically paid in March, June,

    Sept., and Dec. - Div'd reinvest. plan avail.
    (D) In millions, adjusted for stock splits.
    (E) Includes intangibles. At 2/2/14: $\$ 1,289$ mill. (E) Includes int
    (\$0.93/share).

    Company's Financial Strength Stock's Price Stability
    Price Growth Persistence
    Earnings Predictability

