

HOME DEPOT NYSE:HD

RECENT PRICE **125.24** P/E RATIO **20.0** (Trailing: 22.3; Median: 16.0) RELATIVE P/E RATIO **1.10** DIV'D YLD **2.2%**

VALUE LINE

TIMELINESS 2 Lowered 4/29/16
SAFETY 1 Raised 10/5/07
TECHNICAL 1 Raised 6/24/16
BETA .95 (1.00 = Market)

High: 44.0 43.9 42.0 31.1 29.4 37.0 42.5 65.9 82.5 106.0 135.5 137.8
 Low: 34.6 32.8 25.6 17.0 17.5 26.6 28.1 41.9 62.4 74.0 92.2 109.6

LEGENDS
 — 12.5 x "Cash Flow" p sh
 ... Relative Price Strength
 Options: Yes
 Shaded area indicates recession

2019-21 PROJECTIONS

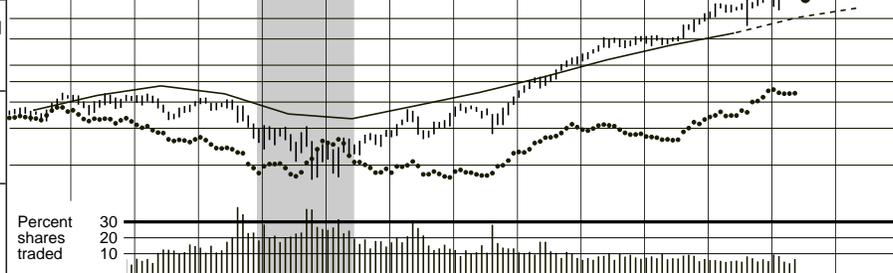
	Price	Gain	Ann'l Total Return
High	170	(+35%)	10%
Low	140	(+10%)	6%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	2	0	1	0	0
Options	0	7	0	0	1	0	3	9	0
to Sell	1	0	0	0	1	0	3	0	0

Institutional Decisions

	3Q2015	4Q2015	1Q2016
to Buy	734	692	725
to Sell	674	817	802
Hlds' (000)	925619	912239	948550



Target Price Range	2019	2020	2021
% TOT. RETURN 5/16	THIS STOCK	VL ARITH. INDEX	
1 yr.	21.6	-3.3	
3 yr.	79.7	25.5	
5 yr.	309.2	51.1	

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
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	70.70	79.10	85.55	Sales per sh ^A	107.60
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	6.82	8.10	9.05	"Cash Flow" per sh	11.30
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	5.34	6.27	7.10	Earnings per sh ^{AB}	9.20
.16	.17	.21	.26	.33	.40	.68	.90	.90	.90	.95	1.04	1.16	1.56	1.88	2.36	2.76	3.16	Div'ds Decl'd per sh ^C	4.05
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	5.04	5.05	4.80	Book Value per sh ^E	6.65
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	1252.0	1190.0	1150.0	Common Shs Outst'g ^D	1050.0
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	22.1	22.1	22.1	Avg Ann'l P/E Ratio	17.0
3.03	1.82	1.23	.95	.88	.78	.74	.82	.86	1.02	.99	.94	1.14	1.13	1.01	1.12	1.01	1.12	Relative P/E Ratio	1.05
.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%	2.0%	2.2%	2.0%	Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 5/1/16

Total Debt \$20948 mill. Due in 5 Yrs \$6423 mill.
 LT Debt \$20904 mill. LT Interest \$1255 mill.
 (Total interest coverage: 12.7x. LT int earned: 13.0x)

Leases, Uncapitalized Annual rentals \$868 mill.
 No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 1,244,007,307 shs. as of 5/17/16
 MARKET CAP: \$156 billion (Large Cap)

90837	77349	71288	65955	67997	70395	74754	78812	83176	88519	94100	98400	Sales (\$mill) ^A	113000
32.8%	33.6%	33.7%	33.9%	34.3%	34.5%	34.6%	34.8%	34.8%	34.2%	34.2%	34.5%	Gross Margin	34.9%
12.6%	11.6%	8.6%	10.1%	11.0%	11.7%	12.7%	13.7%	14.6%	15.1%	15.7%	15.9%	Operating Margin	15.7%
2147	2234	2274	2244	2248	2252	2256	2263	2269	2274	2279	2285	Number of Stores	2300
5761	4210	2982	2811	3371	3883	4680	5385	6139	6848	7745	8450	Net Profit (\$mill)	9665
38.1%	36.4%	37.4%	34.5%	36.7%	36.0%	36.5%	36.4%	36.4%	36.4%	37.0%	37.0%	Income Tax Rate	37.0%
6.3%	5.4%	4.2%	4.3%	5.0%	5.5%	6.3%	6.8%	7.4%	7.7%	8.2%	8.6%	Net Profit Margin	8.6%
5069	1968	2209	3537	3357	5144	3910	4530	4033	4467	4000	4000	Working Cap'l (\$mill)	4000
11643	11383	9667	8662	8707	10758	9475	14691	16869	20888	20900	21000	Long-Term Debt (\$mill)	21000
25030	17714	17777	19393	18889	17898	17777	12522	9322	6316	6000	5500	Shr. Equity (\$mill)	7000
16.2%	15.5%	11.9%	11.1%	13.0%	14.5%	18.3%	21.0%	25.0%	26.8%	30.5%	34.0%	Return on Total Cap'l	36.5%
23.0%	23.8%	16.8%	14.5%	17.8%	21.7%	26.3%	43.0%	65.9%	108.4%	129.0%	153.5%	Return on Shr. Equity	138.0%
17.4%	14.1%	8.2%	6.6%	9.5%	12.6%	16.5%	25.1%	38.7%	60.4%	72.5%	85.5%	Retained to Com Eq	77.5%
24%	41%	51%	54%	47%	42%	37%	42%	41%	44%	44%	45%	All Div'ds to Net Prof	44%

CURRENT POSITION

(\$MILL.)	2014	2015	5/1/16
Cash Assets	1723	2216	3257
Receivables	1484	1890	1989
Inventory (LIFO)	11079	11809	13219
Other	1016	1078	545
Current Assets	15302	16993	19010
Accts Payable	5807	6565	8711
Debt Due	328	427	44
Other	5134	5534	6394
Current Liab.	11269	12526	15149

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
Sales	7.0%	9.5%	9.0%
"Cash Flow"	7.5%	16.0%	11.5%
Earnings	7.0%	20.0%	12.5%
Dividends	19.5%	16.0%	13.0%
Book Value	-4.5%	-8.5%	-1.0%

QUARTERLY SALES (\$ mill.)^A

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2013	19124	22522	19470	17696	78812
2014	19687	23811	20516	19162	83176
2015	20891	24829	21819	20980	88519
2016	22762	26425	23060	21853	94100
2017	23500	27600	24200	23100	98400

EARNINGS PER SHARE^{AB}

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
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	1.17	5.34
2016	1.44	1.97	1.56	1.30	6.27
2017	1.57	2.20	1.80	1.53	7.10

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	2.36
2016	.69	.69			

The Home Depot once again delivered strong quarterly results, prompting management to raise its full-year fiscal 2016 outlook. The top line rose a better-than-expected 9% from a year earlier. Demand was broad based across departments and geographies, with sales to both professionals and do-it-yourself customers doing well (though pro outperformed). Overall, weather was a positive, though this was not just an early-spring story as execution and demand were strong. Comparable-store sales rose an impressive 6.5%, with domestic locations posting a 7.4% gain. Looking beyond the sales figures, the gross margin slipped slightly (13 basis points) from a year earlier, but SG&A expenses as a percentage of sales fell 112 basis points, while depreciation and amortization were 11 basis points lower. All told, earnings came in at \$1.44 a share, 24% above the year-earlier tally and \$0.11 ahead of our call.

The momentum is apt to continue, in our view. With spring slow to arrive in some areas of the country, fiscal second-quarter sales will likely see a boost as consumers in these geographies get to work

ing, heating, and electrical; paint & furniture; seasonal and specialty items; hardware & tools. Has about 385,000 employees. Off. & dir. own less than 1.0% of common; Capital World Investors, 6.9% (4/16 Proxy). Chairman, CEO, & President: Craig Meneer. Incorporated: DE. Address: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

on seasonal projects. Although the April period will probably be the strongest from a same-store sales perspective, top-line growth should remain solid as housing ought to continue as a tailwind (trends in housing prices, turnover, and household formation are all favorable). Too, foreign exchange will probably be less of a headwind this year than last. The gross margin is still expected to be flat, and tax rate expectations were unchanged at 37%. Taking all of this into consideration, management now expects full-year fiscal 2016 sales to climb 6.3% (up from 5.1%-6.0% previously), with comps advancing about 4.9% (up from 3.7%-4.5%). Consequently, earnings will likely come in at some \$6.27 a share, versus \$6.12-\$6.18.

We like these timely shares for conservative growth accounts. (Note the company's top score for Financial Strength, as well as the stock's impressive marks for Safety, Earnings Predictability, and Price Stability.) A respectable dividend yield sweetens the pot, and payments are well covered. However, value investors may find HD's recent valuation a bit steep.

Matthew E. Spencer, CFA June 24, 2016

(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 rounding. Next earnings report due August 16th. (C) Dividends historically paid in March, June, Sept., and Dec. (D) Div'd reinvest. plan avail. (E) In millions, adjusted for stock splits. Includes intangibles. At 1/31/16: \$2,102 mill. (\$1.68/share).

Company's Financial Strength A++
Stock's Price Stability 80
Price Growth Persistence 95
Earnings Predictability 100