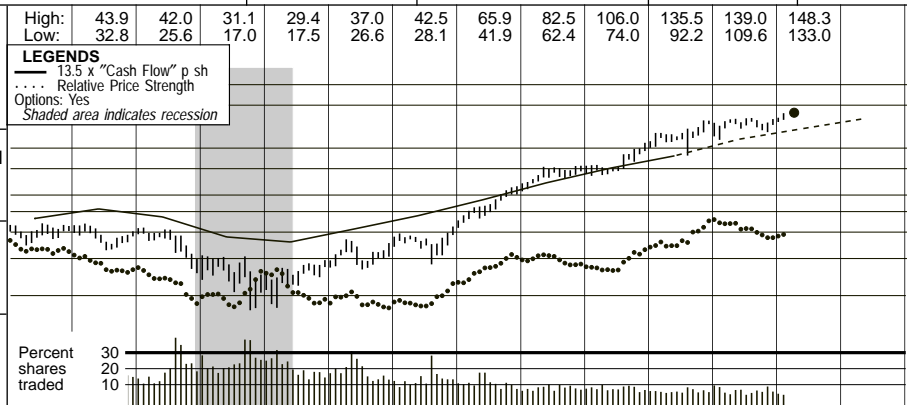


# HOME DEPOT NYSE-HD

RECENT PRICE **147.16** P/E RATIO **20.9** (Trailing: 22.8; Median: 16.0) RELATIVE P/E RATIO **1.07** DIV'D YLD **2.4%**

**VALUE LINE**

**TIMELINESS** 4 Lowered 11/18/16  
**SAFETY** 1 Raised 10/5/07  
**TECHNICAL** 4 Lowered 2/24/17  
**BETA** .95 (1.00 = Market)



**2020-22 PROJECTIONS**

Price	Gain	Ann'l Total Return
High 195	(+35%)	10%
Low 160	(+10%)	5%

**Insider Decisions**

	M	J	A	S	O	N	D	J
to Buy	0	1	0	0	0	0	2	0
Options	3	0	0	5	0	0	2	0
to Sell	3	0	0	5	0	0	4	0

**Institutional Decisions**

	2Q2016	3Q2016	4Q2016
to Buy	754	690	737
to Sell	793	820	870
Hlds(000)	892822	859411	864893

Target Price	2020	2021	2022
200			
160			
100			
80			
60			
50			
40			
30			
20			

**% TOT. RETURN 2/17**

	THIS STOCK	VL ARITH. INDEX
1 yr.	19.2	30.5
3 yr.	88.1	22.1
5 yr.	238.4	81.5

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	<b>70.50</b>	<b>86.05</b>	<b>92.40</b>	Sales per sh <sup>A</sup>	109.50
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	6.82	8.15	<b>9.15</b>	<b>10.25</b>	<b>10.25</b>	"Cash Flow" per sh	12.05
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	6.45	<b>7.15</b>	<b>8.10</b>	Earnings per sh <sup>AB</sup>	9.90
.17	.21	.26	.33	.40	.68	.90	.90	.90	.95	1.04	1.16	1.56	1.88	2.36	2.76	<b>3.56</b>	<b>4.45</b>	Div'ds Decl'd per sh <sup>C</sup>	5.45
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	<b>3.65</b>	<b>3.35</b>	<b>2.95</b>	Book Value per sh <sup>E</sup>	4.75
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	<b>1190.0</b>	<b>1150.0</b>	<b>1120.0</b>	Common Shs Outst'g <sup>D</sup>	1050.0
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	20.3	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	18.0
1.82	1.23	.95	.88	.78	.74	.82	.86	1.02	.99	.94	1.14	1.13	1.01	1.11	1.06			Relative P/E Ratio	1.15
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%	2.1%			Avg Ann'l Div'd Yield	3.1%

**CAPITAL STRUCTURE as of 1/29/17**

Total Debt \$23601 mill. Due in 5 Yrs \$6423 mill.  
 LT Debt \$22349 mill. LT Interest \$1340 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 1,218,160,970 shs. as of 11/15/16  
 MARKET CAP: \$179 billion (Large Cap)

77349	71288	65955	67997	70395	74754	78812	83176	88519	94595	<b>98950</b>	<b>103500</b>	Sales (\$mill) <sup>A</sup>	115000
33.6%	33.7%	33.9%	34.3%	34.5%	34.6%	34.8%	34.8%	34.2%	34.2%	<b>34.0%</b>	<b>34.1%</b>	Gross Margin	34.3%
11.6%	8.6%	10.1%	11.0%	11.7%	12.7%	13.7%	14.6%	15.1%	16.0%	<b>16.3%</b>	<b>16.4%</b>	Operating Margin	16.5%
2234	2274	2244	2248	2252	2256	2263	2269	2274	2278	<b>2284</b>	<b>2290</b>	Number of Stores	2305
4210	2982	2811	3371	3883	4680	5385	6139	6848	7957	<b>8510</b>	<b>9395</b>	Net Profit (\$mill)	10395
36.4%	37.4%	34.5%	36.7%	36.0%	36.5%	36.4%	36.4%	36.4%	36.3%	<b>36.3%</b>	<b>36.3%</b>	Income Tax Rate	36.3%
5.4%	4.2%	4.3%	5.0%	5.5%	6.3%	6.8%	7.4%	7.7%	8.4%	<b>8.6%</b>	<b>9.1%</b>	Net Profit Margin	9.0%
1968	2209	3537	3357	5144	3910	4530	4033	4467	3591	<b>3800</b>	<b>4000</b>	Working Cap'l (\$mill)	4000
11383	9667	8662	8707	10758	9475	14691	16869	20888	22349	<b>23000</b>	<b>23000</b>	Long-Term Debt (\$mill)	23000
17714	17777	19393	18889	17898	17777	12522	9322	6316	4333	<b>3850</b>	<b>3325</b>	Shr. Equity (\$mill)	5000
15.5%	11.9%	11.1%	13.0%	14.5%	18.3%	21.0%	25.0%	26.8%	31.6%	<b>33.5%</b>	<b>38.0%</b>	Return on Total Cap'l	39.5%
23.8%	16.8%	14.5%	17.8%	21.7%	26.3%	43.0%	65.9%	108.4%	183.6%	<b>221.0%</b>	<b>282.5%</b>	Return on Shr. Equity	208.0%
14.1%	8.2%	6.6%	9.5%	12.6%	16.5%	25.1%	38.7%	60.4%	105.0%	<b>111.0%</b>	<b>127.5%</b>	Retained to Com Eq	93.5%
41%	51%	54%	47%	42%	37%	42%	41%	44%	43%	<b>50%</b>	<b>55%</b>	All Div'ds to Net Prof	55%

**CURRENT POSITION (SMILL.)**

	2014	2015	1/29/17
Cash Assets	1723	2216	2538
Receivables	1484	1890	2029
Inventory (LIFO)	11079	11809	12549
Other	1016	1078	608
Current Assets	15302	16993	17724
Accts Payable	5807	6565	7000
Debt Due	328	427	1252
Other	5134	5534	5881
Current Liab.	11269	12526	14133

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)			to '20-'22
Sales	7.0%	9.5%	8.0%
"Cash Flow"	7.5%	16.0%	10.5%
Earnings	7.0%	20.0%	11.5%
Dividends	19.5%	16.0%	16.0%
Book Value	-4.5%	-8.5%	-5.5%

**QUARTERLY SALES (\$ mill.) <sup>A</sup>**

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2014	19687	23811	20516	19162	83176
2015	20891	24829	21819	20980	88519
2016	22762	26472	23154	22207	94595
2017	23625	27875	24325	23125	98950
2018	24700	29000	25325	24475	103500

**EARNINGS PER SHARE <sup>AB</sup>**

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
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	1.60	1.44	6.45
2017	1.60	2.20	1.80	1.55	7.15
2018	1.80	2.45	2.00	1.85	8.10

**QUARTERLY DIVIDENDS PAID <sup>C</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.39	.39	.39	.39	1.56
2014	.47	.47	.47	.47	1.88
2015	.59	.59	.59	.59	2.36
2016	.69	.69	.69	.69	2.76
2017	.89				

**BUSINESS:** The Home Depot, Inc. operates a chain of 2,278 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of 1/29/17). 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 over 400,000 employees. Off. & dir. own less than 1.0% of common; Capital World Investors, 6.9% (4/16 Proxy). Chairman, CEO, & President: Craig Menear. Incorporated: DE. Address: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

**The Home Depot delivered solid fiscal fourth-quarter (ended January 29th) results.** The top line rose 6% from a year earlier, topping our forecast. Comparable-store sales rose 5.8%, with stores in the United States posting a 6.3% comp gain. Sales growth was strong across categories and geographies, with particular strength in flooring and tools. Big-ticket sales (over \$900) were also strong, rising 11.6% thanks to flooring, appliances, and several pro categories. On point, sales to professionals grew faster than those to DIY customers, as efforts to court this group have been bearing fruit. Finally, the number of customer transactions, the average ticket, and sales per square foot all increased (up 2.9%, 2.9%, and 5.7%, respectively). In terms of profitability, the gross margin was down slightly, but total operating expenses as a percentage of sales were down 113 basis points. A lower tax rate and share count also helped earnings jump 23%, to \$1.44, \$0.12 above our call.

**GDP growth and ongoing strength in the U.S. housing market (favorable trends in home price appreciation, housing turnover, and household**

**formation) should keep things humming this year.** Efforts to drive sales to professionals and improve interconnected retail, online sales, and customer service should also help. Management is calling for sales and comps to rise 4.6%. The gross margin is apt to narrow due to faster growth in lower-margin categories, but the operating margin ought to expand. Assuming a 36.3% tax rate, \$5 billion in share repurchases, and six new stores, earnings ought to climb 11%, to \$7.13 a share. We are maintaining our slightly more bullish call of \$7.15.

**The retailer raised its targeted dividend payout ratio to 55% from 50%.** In that vein, the quarterly cash payout was increased 29%, to \$0.89 a share. The first distribution in this new amount was scheduled for March 23rd. Too, the board authorized a \$15 billion share-repurchase authorization, replacing its previous one.

**Untimely Home Depot stock appears fairly valued, though very conservative investors looking for exposure to the housing market and some income might want to take a closer look.**

Matthew E. Spencer, CFA March 24, 2017

(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 May 16th. (C) Dividends historically paid in March, June, Sept., and Dec. (D) Div'd reinvest. plan avail. (E) Includes intangibles. At 1/31/16: \$2,102 mill. (\$1.68/share).

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