|  | $E$ |  | $N$ | $\mathrm{E}-\mathrm{HD}$ |  |  |  | ENT | $3$ |  | $21$ | $\left(\begin{array}{l} \mathrm{Tra} \\ \mathrm{Me} \end{array}\right.$ | $\begin{aligned} & 23.1 \\ & \hline: 17.0 \end{aligned}$ | $\begin{array}{\|l\|} \hline \text { RELATI } \\ \text { P/E RA' } \end{array}$ | $1 .$ | $\begin{aligned} & \text { DIV'D } \\ & \text { YLD } \end{aligned}$ |  |  | ALUE <br> LINE |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\text { NESS } 2$ | Raised 6 |  | High： Low： | $\begin{array}{r} 43.9 \\ 32.8 \\ \hline \end{array}$ | $\begin{aligned} & \hline 42.0 \\ & 25.6 \\ & \hline \end{aligned}$ | 31.1 17.0 | $\begin{aligned} & 29.4 \\ & 17.5 \end{aligned}$ | $\begin{aligned} & \hline 37.0 \\ & 26.6 \end{aligned}$ | $\begin{aligned} & 42.5 \\ & 28.1 \end{aligned}$ | $\begin{aligned} & \hline 65.9 \\ & 41.9 \end{aligned}$ | $\begin{aligned} & 82.5 \\ & 62.4 \end{aligned}$ | $\begin{array}{r} 106.0 \\ 74.0 \end{array}$ | $\begin{array}{r} 135.5 \\ 92.2 \end{array}$ | $\begin{aligned} & \hline 139.0 \\ & 109.6 \end{aligned}$ | $\begin{aligned} & \hline 160.9 \\ & 133.0 \end{aligned}$ |  |  | $\begin{aligned} & \text { Target Pri } \\ & 2020 \text { 20 } \end{aligned}$ | Range 2022 |
| SAFETY <br> TECHNICA BETA | 1 $C A L \quad 2$ <br> 5 （ $1.00=$ | Raised 10 <br> Raised 6 <br> Market） | ／5／07 |  | $\begin{aligned} & \text { NDS } \\ & 3 . \mathrm{P}^{\prime \prime} \text { "ash } \\ & \text { elative Pric } \\ & \text { Yye } \\ & \text { area indice } \end{aligned}$ | low＂p Strength <br> s recess |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{r} -200 \\ -160 \end{array}$ |
|  | 0－22 PR | JECTIO |  |  |  |  |  |  |  |  |  |  |  |  | － |  |  |  |  | 100 |
|  | Price | Gain | n＇l Total |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | －80 |
|  | Price | Gain $25 \%$ |  |  |  |  |  |  |  |  |  | － |  |  |  |  |  |  |  | 60 |
| Ligh |  | $5 \%)$ | 4\% |  |  |  |  |  |  |  | 1 |  |  |  |  |  |  |  |  | 50 |
| Insider | $\begin{aligned} & \text { r Decisi } \\ & \text { A S } 0 \end{aligned}$ | $\begin{aligned} & \text { ons } \\ & \text { N D J } \end{aligned}$ | F M A |  |  |  |  |  | 新 | －11｜ |  |  |  |  |  |  |  |  |  | $-40$ |
| to Buy Options to Sell | $\begin{array}{lll} 0 & 0 & 0 \\ 5 & 0 & 0 \\ 5 & 0 & 0 \end{array}$ | $\begin{array}{llll}2 & 0 & 0 \\ 2 & 0 & 0 \\ 4 & 0 & 0 \\ 4 & 0\end{array}$ | $\begin{array}{lll} 0 & 0 & 0 \\ 9 & 9 & 0 \\ 3 & 1 & 0 \\ \hline \end{array}$ |  |  |  | 1 | ＋！ $1^{1 \prime \prime}$ |  |  | ．．．． |  |  |  |  |  |  |  |  | －30 |
| Institut <br> to Buy | tional D 302016 690 | ecision 402016 737 |  | Percent shares |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   <br> T．RETURN $5 / 17$  <br> THIS VLARIT <br> STOCK INDEX <br> 18.8 16.7 |  |
| to Buy to Sell | $\begin{aligned} & 690 \\ & 820 \end{aligned}$ | $\begin{aligned} & 737 \\ & 870 \end{aligned}$ | $\begin{aligned} & 755 \\ & 889 \end{aligned}$ | shares traded |  |  |  |  |  |  |  |  |  |  |  |  |  | 3 yr ¢ | $\begin{array}{ll}10.8 & 16.7 \\ 105.0 & 22.7\end{array}$ |  |
| Hld＇s（000） | 859411 | 864893 | 944962 |  |  |  |  |  |  |  |  |  | 极 | ل11 | لШ1 | 屾 |  | 5 yr ． | 245.595 .1 |  |
| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | $\bigcirc$ © VAL | JE 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 | 78.63 | 86.25 | 93.30 | Sales | rsh ${ }^{\text {A }}$ | 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 | 5.96 | 6.82 | 8.07 | 9.10 | 10.20 | ＂Cash | low＂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 | 7.25 | 8.15 | Earning | per sh AB | 9.90 |
| ． 17 | ． 21 | ． 26 | ． 33 | ． 40 | ． 68 | ． 90 | ． 90 | ． 90 | ． 95 | 1.04 | 1.16 | 1.56 | 1.88 | 2.36 | 2.76 | 3.56 | 4.45 | Div＇ds | ecl＇d per sh Cm | 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 | 3.60 | 3.25 | 2.95 | Book | lue per sh E | ． 95 |
| 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 | 1203.0 | 1150.0 | 1120.0 | Comm | Shs Outst＇g ${ }^{\text {D }}$ | 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 | Bold figu | res are | Avg A | ＇IP／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 | 1.08 | Value | Line | 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 An | ＇I Div＇d Yield | 3．1\％ |
| CAPITAL STRUCTURE as of 4／30／17 |  |  |  |  |  | 77349 | 71288 | 65955 | 67997 | 70395 | 74754 | 78812 | 83176 | 88519 | 94595 | 99200 | 104500 | Sales | mill）A | 115000 |
| Total Debt $\$ 22937$ mill．Due in 5 Yrs $\$ 6425$ mill． LT Debt $\$ 22393$ mill．LT Interest $\$ 1050$ mill． （Total interest coverage：13．9x．LT int earned： 13．9x） |  |  |  |  |  | 33．6\％ | 33．7\％ | 33．9\％ | 34．3\％ | 34．5\％ | 34．6\％ | 34．8\％ | 34．8\％ | 34．2\％ | 34．2\％ | 34．0\％ | 34．1\％ | Gross | argin | 34．3\％ |
|  |  |  |  |  |  | 11．6\％ | 8．6\％ | 10．1\％ | 11．0\％ | 11．7\％ | 12．7\％ | 13．7\％ | 14．6\％ | 15．1\％ | 16．0\％ | 16．3\％ | 16．4\％ | Opera | g Margin | 16．5\％ |
|  |  |  |  |  |  | 2234 | 2274 | 2244 | 2248 | 2252 | 2256 | 2263 | 2269 | 2274 | 2278 | 2286 | 2292 | Numbe | of Stores | 2305 |
|  |  |  |  |  |  | 4210.0 | 2982.0 | 2811.0 | 3371.0 | 3883.0 | 4680.0 | 5385.0 | 6139.0 | 6848 | 7957 | 8630 | 9455 | Net P | it（\＄mill） | 10395 |
|  |  |  |  | （85\％of | f Cap＇l） | 36．4\％ | 37．4\％ | 34．5\％ | 36．7\％ | 36．0\％ | 36．5\％ | 36．4\％ | 36．4\％ | 36．4\％ | 36．3\％ | 36．3\％ | 36．3\％ | Incom | Tax Rate | 36．3\％ |
|  |  |  |  |  |  | 5．4\％ | 4．2\％ | 4．3\％ | 5．0\％ | 5．5\％ | 6．3\％ | 6．8\％ | 7．4\％ | 7．7\％ | 8．4\％ | 8．7\％ | 9．1\％ | Net Pr | it Margin | 9．0\％ |
| Leases，Uncapitalized Annual rentals $\$ 868$ mill． No Defined Benefit Pension Plan |  |  |  |  |  | 1968.0 | 2209.0 | 3537.0 | 3357.0 | 5144.0 | 3910.0 | 4530.0 | 4033.0 | 4467 | 3591 | 3800 | 4000 | Work | Cap＇I（\＄mill） | 4000 |
| Pfd Stock None |  |  |  |  |  | 11383 | 9667.0 | 8662.0 | 8707.0 | 10758 | 9475.0 | 14691 | 16869 | 20888 | 22349 | 23000 | 23000 | Long－ | rm Debt（\＄mill） | 23000 |
|  |  |  |  |  |  | 17714 | 17777 | 19393 | 18889 | 17898 | 17777 | 12522 | 9322.0 | 6316 | 4333 | 3750 | 3325 | Shr．E | uity（\＄mill） | 1000 |
| Common Stock 1，195，554，970 shs．as of $5 / 16 / 17$ |  |  |  |  |  | 15．5\％ | 11．9\％ | 11．1\％ | 13．0\％ | 14．5\％ | 18．3\％ | 21．0\％ | 25．0\％ | 26．8\％ | 31．6\％ | 34．0\％ | 38．0\％ | Return | －Total Cap＇l | 46．0\％ |
|  |  |  |  |  |  | 23．8\％ | 16．8\％ | 14．5\％ | 17．8\％ | 21．7\％ | 26．3\％ | 43．0\％ | 65．9\％ | 108．4\％ | 183．6\％ | NMF | NMF | Return | oshr．Equity | NMF |
| MARKET CAP：$\$ 184$ billion（Large Cap） |  |  |  |  |  | $\begin{array}{r} \hline 14.1 \% \\ 41 \% \end{array}$ | 8．2\％ | 6．6\％ | 9．5\％ | 12．6\％ | 16．5\％ | 25．1\％ | 38．7\％ | 60．4\％ | 105．1\％ | 117．0\％ | 129．0\％ | Retai | to Com Eq | NMF |
| CURRENT POSITION （\＄MILL．） |  |  | 2015 2016 4／30／17 |  |  |  | 51\％ | 54\％ | 47\％ | 42\％ | 37\％ | 42\％ | 41\％ | 44\％ | 43\％ | 49\％ | 55\％ | All Di | to Net Prof | 55\％ |


| Cash Assets | 2216 | 2538 | 3565 |
| :--- | ---: | ---: | ---: |
| Receivables | 1890 | 2029 | 2164 |
| Inventory（LIFO） | 11809 | 12549 | 13609 |
| Other | 1078 | 608 | 558 |
| Current Assets | 16993 | 17724 | 19896 |
| Accts Payable | 6565 | 7000 | 9138 |
| Debt Due | 427 | 1252 | 544 |
| Other | $\frac{5534}{}$ | $\frac{5881}{}$ | 6756 |
| Current Liab． | 12526 | 14133 | 16438 |


| ANNUAL RATES <br> of change（per sh） Sales <br> ＂Cash Flow＂ <br> Earnings <br> Dividends <br> Book Value |  | Past10 Yrs．$6.0 \%$$7.5 \%$$7.5 \%$$17.5 \%$$-8.0 \%$ |  Past Est＇d＇14－＇16 <br>  5 Yrs． to＇20．＇22 <br>  $11.0 \%$ $7.5 \%$ <br> $\%$ $17.5 \%$ $9.5 \%$ <br> $\%$ $21.5 \%$ $10.5 \%$ <br> $\%$ $1.5 \%$ $15.0 \%$ <br> $\%$ $-14.5 \%$ $-25.0 \%$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| $\begin{gathered} \text { Fiscal } \\ \text { Year } \\ \text { Begins } \end{gathered}$ | QUARTERLY SALES（\＄mill．）A Apr．Per Jul．Per Oct．Per Jan．Per |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
|  |  |  |  |  |  |  |  |  |  |
| 2014 | 19687 | 23811 | 20516 | 19162 | 83176 |
| 2015 | 20891 | 24829 | 21819 | 20980 | 88519 |
| 2016 | 22762 | 26472 | 23154 | 22207 | 94595 |
| 2017 | 23887 | 27863 | 24325 | 23125 | 99200 |
| 2018 | 24950 | 29000 | 25400 | 25150 | 104500 |
| $\begin{gathered} \text { Fiscal } \begin{array}{c} \text { Clear } \\ \text { Begins } \end{array} \end{gathered}$ | EARNINGS PER SHARE A B Apr．Per Jul．Per Oct．Per Jan．Per |  |  |  | $\begin{aligned} & \hline \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
|  |  |  |  |  |  |  |  |  |  |
| 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 | 1.67 | 2.20 | 1.81 | 1.57 | 7.25 |
| 2018 | 1.83 | 2.46 | 2.00 | 1.86 | 8.15 |
| Cal－ endar | QUARTERLY DIVIDENDS PAID C． |  |  |  | Full <br> Year |
|  | Mar． 31 | Jun． 30 | Sep． 30 | Dec． 31 |  |
| 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 | 89 |  |  |  |


| BUSINESS：The Home Depot，Inc．operates a chain of 2,281 retail |
| :--- |
| building supply／home improvement＂warehouse＂stores across the |
| U．S．and in Canada and Mexico（as of $4 / 30 / 17$ ）．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；plumb－ |

Shares of The Home Depot rose to an all－time high after the world＇s largest home－improvement retailer announc－ ed fiscal first－quarter（ended April 30th）results that were better than ex－ pected．The top line increased nearly 5\％ from a year earlier，to $\$ 23.887$ billion， slightly ahead of our $\$ 23.625$ billion fore－ cast．Growth was broad based across cate－ gories and geographies，as seasonable weather resulted in more normalized Spring selling than had been seen recent－ ly．Growth in sales to professionals out－ paced those to DIY shoppers，and ongoing efforts to bolster the retailer＇s digital capa－ bilities and interconnected retail drove a $23 \%$ increase in online revenues．All told， comparable－store sales rose 5．5\％（up 6．0\％ in the United States）；the number of cus－ tomer transactions climbed 1．6\％；the aver－ age ticket was up $3.9 \%$ and sales per square foot jumped $4.6 \%$ ．In terms of prof－ itability，the gross margin narrowed slightly（nine basis points）due to a change in the product mix，although operating ex－ penses decreased as a function of the top
line．A lower tax rate and ongoing stock repurchases also supported per－share com－
ing，heating，and electrical；paint \＆furniture；seasonal and specialty items；hardware \＆tools．Has about 406，000 employees．Off．\＆dir． own less than $1.0 \%$ of common；Capital World Investors，6．8\％ （4／17 Proxy）．Chairman，CEO，\＆President：Craig Menear．In－ corporated：DE．Address： 2455 Paces Ferry Road，Atlanta，Georgia 30339．Telephone：770－433－8211．Internet：www．homedepot．com．
parisons．In fact，share net came in at \＄1．67，up 16\％from a year earlier and $\$ 0.07$ ahead of our call．
The near－term outlook is also favor－ able．Leadership noted that sales in the first half of May had been＂very good，＂and we look for the same factors that drove April－period results to keep the mo－ mentum going．GDP forecasts have been mixed，as management noted，but housing （home price appreciation，household formation，housing turnover，etc．）has been a bright spot in the U．S．economy，a trend we expect to continue．On the other hand， the gross margin will likely narrow a bit this year from the comparable fiscal 2016 figure，and some foreign exchange pres－ sure is expected．Overall，however，fiscal 2017 should be another very good year for The Home Depot．Sales and comps are both likely to rise 4．6\％，and earnings per share are now pegged to climb $11 \%$ ，to $\$ 7.15$（our call is more bullish）．
As for this timely stock，we continue to like it for conservative accounts looking for exposure to the hous－ ing／remodeling markets．
Matthew E．Spencer，CFA
J une 23， 2017

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


[^0]:    A）Fiscal year ends Sunday
    1st of the following year
    （B）Diluted earnings．Excludes nonrecurring
    （\＄0．09）；＇10，（\＄0．02）；＇12，（\＄0．10）；＇14，\＄0．15；
    15，\＄0．12．Totals may not sum due to round－
    Sept．，and Dec．■ Div＇d reinvest．plan avail． gains／（losses）：＇07，（\＄0．10）；＇08，（\＄0．44）；＇09
    ing．Next earnings report due August 15th．
    （D）In millions，adjusted for stock splits．
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