

HOME DEPOT NYSE:HD

RECENT PRICE **178.35** P/E RATIO **20.2** 23.9/17.0 RELATIVE P/E RATIO **1.05** DIV/D YLD **2.3%**

VALUE LINE



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
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	87.75	96.40	103.10	Sales per sh ^A	121.90
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	9.25	11.55	12.30	"Cash Flow" per sh	14.45
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	7.46	9.35	9.90	Earnings per sh ^{AB}	12.15
.21	.26	.33	.40	.68	.90	.90	.90	.95	1.04	1.16	1.56	1.88	2.36	2.76	3.56	4.12	4.60	Div'ds Decl'd per sh ^C	6.00
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	1.25	.65	.90	Book Value per sh ^E	.95
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	1115.0	1090.0	Common Shs Outst'g ^D	1050.0
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	21.6	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	19.0
1.23	.95	.88	.78	.74	.82	.86	1.02	.99	.94	1.14	1.13	1.01	1.11	1.07	1.07			Relative P/E Ratio	1.05
.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%	2.2%			Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 1/28/18

71288	65955	67997	70395	74754	78812	83176	88519	94595	100904	107500	112400	128000	Sales (\$mill) ^A	128000
33.7%	33.9%	34.3%	34.5%	34.6%	34.8%	34.8%	34.2%	34.2%	34.1%	34.0%	34.0%	34.0%	"Cash Flow" per sh	34.0%
8.6%	10.1%	11.0%	11.7%	12.7%	13.7%	14.6%	15.1%	16.0%	16.5%	16.4%	16.3%	16.3%	Operating Margin	16.3%
2274	2244	2248	2252	2256	2263	2269	2274	2278	2284	2287	2290	2300	Number of Stores	2300
2982.0	2811.0	3371.0	3883.0	4680.0	5385.0	6139.0	6848.0	7957	8832	10800	11235	12760	Net Profit (\$mill)	12760
37.4%	34.5%	36.7%	36.0%	36.5%	36.4%	36.4%	36.4%	36.3%	36.3%	36.0%	36.0%	26.0%	Income Tax Rate	26.0%
4.2%	4.3%	5.0%	5.5%	6.3%	6.8%	7.4%	7.7%	8.4%	8.8%	10.1%	10.0%	10.0%	Net Profit Margin	10.0%
2209.0	3537.0	3357.0	5144.0	3910.0	4530.0	4033.0	4467.0	3591	2739	3000	3500	3500	Working Cap'l (\$mill)	3500
9667.0	8662.0	8707.0	10758	9475.0	14691	16869	20888	22349	24267	25000	25000	25000	Long-Term Debt (\$mill)	25000
17777	19393	18889	17898	17777	15222	9322.0	6316.0	4333	1454	750	1000	1000	Shr. Equity (\$mill)	1000
11.9%	11.1%	13.0%	14.5%	18.3%	21.0%	25.0%	26.8%	31.6%	36.4%	44.0%	45.5%	51.5%	Return on Total Cap'l	51.5%
16.8%	14.5%	17.8%	21.7%	26.3%	43.0%	65.9%	108.4%	183.6%	NMF	NMF	NMF	NMF	Return on Shr. Equity	NMF
8.2%	6.6%	9.5%	12.6%	16.5%	25.1%	38.7%	60.4%	105.1%	NMF	NMF	NMF	NMF	Retained to Com Eq	NMF
51%	54%	47%	42%	37%	42%	41%	44%	43%	48%	44%	46%	49%	All Div'ds to Net Prof	49%

Leases, Uncapitalized Annual rentals \$868 mill.
No Defined Benefit Pension Plan
Pfd Stock None
Common Stock 1,167,748,619 shs. as of 11/14/17
MARKET CAP: \$208 billion (Large Cap)

CURRENT POSITION (SMILL.)

	2015	2016	1/28/18	
Cash Assets	2216	2538	3595	
Receivables	1890	2029	1952	
Inventory (LIFO)	11809	12549	12748	
Other	1078	608	638	
Current Assets	16993	17724	18933	
Accts Payable	6565	7000	7244	
Debt Due	427	1252	2761	
Other	5534	5881	6189	
Current Liab.	12526	14133	16194	

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 of change (per sh)

Sales	6.0%	11.0%	8.0%
"Cash Flow"	7.5%	17.5%	11.0%
Earnings	7.5%	21.5%	12.0%
Dividends	17.5%	19.5%	14.5%
Book Value	-8.0%	-14.5%	-21.5%

QUARTERLY SALES (\$mill.)^A

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2015	20891	24829	21819	20980	88519
2016	22762	26472	23154	22207	94595
2017	23887	28108	25026	23883	100904
2018	25300	29600	26000	26600	107500
2019	26800	31400	27750	26450	112400

EARNINGS PER SHARE^{AB}

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
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	2.25	1.84	1.69	7.46
2018	2.05	2.80	2.30	2.20	9.35
2019	2.20	3.00	2.50	2.20	9.90

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	.47	.47	.47	.47	1.88
2015	.59	.59	.59	.59	2.36
2016	.69	.69	.69	.69	2.76
2017	.89	.89	.89	.89	3.56
2018	1.03				

(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; '17, (\$0.17). Totals may not sum due to rounding. Next earnings report due May 15th. (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 1/31/16: \$2,102 mill. (\$1.68/share).

The Home Depot finished fiscal 2017 (ended January 28, 2018) in fine fashion. Sales in the final stanza of the year rose 7.5% from a year earlier, to \$23.883 billion, besting our estimate of \$23.554 billion. Comparable-store sales jumped 7.5%, while stores in the United States posted a 7.2% comp gain. Underlying demand was clearly solid, aided by hurricane-related sales, receipts from professional customers (growth here continued to outpace do-it-yourself shoppers), investments in online and omnichannel selling capabilities (online sales were up 21% in the January term), and a weaker U.S. dollar. By department, lumber, electrical, and tools were particularly strong. The gross margin contracted 12 basis points from a year earlier, as hurricane-related sales are typically for lower-margined items. However, operating expenses as a function of sales fell thanks to the robust top-line gain. Excluding a \$0.17 charge related to the impact of the Tax Cuts and Jobs Act and one-time bonuses to hourly employees, share earnings jumped 17%, to \$1.69, nicely ahead of our \$1.60 estimate.

Fiscal 2018 is shaping up to be another good year for this retailer. To start, the year contains 53 weeks, and the extra week is anticipated to add some \$1.6 billion to sales and \$0.19 to share net. A lower tax rate is another big plus, and management expects the rate to be approximately 26% this fiscal year. Beyond that benefit, the company sees tax reform as being a net positive for its business, despite less favorable treatment for property taxes and mortgage interest. While interest rates are climbing, job and income growth ought to fuel home price appreciation and increased demand for housing. Additionally, the gross margin should be flat from the fiscal 2017 figure, three stores are slated to open, and \$4.0 billion in share repurchases is anticipated.

These timely shares would make a nice addition to most equity portfolios, in our view. An above-average dividend yield (the quarterly payout was just increased 15.7%, to \$1.03 a share) should entice the income set, while the issue's top marks for Safety, Price Growth Persistence, and Earnings Predictability ought to appeal to conservative accounts.

Matthew E. Spencer, CFA March 23, 2018

Business: The Home Depot, Inc. operates a chain of 2,284 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of 1/28/18). Acquired Hughes Supply in 1/06. Average store size: roughly 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, & 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. Incorporated: DE. Address: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.