| $H 0$ | $E$ | 1 | NY | $\mathrm{E}-\mathrm{HD}$ |  |  |  | ENT | $8$ | RĂ | $20$ |  | $\begin{array}{r} 23.9 \\ 17.0 \end{array}$ | $\begin{aligned} & \text { RELATIVE } \\ & \text { P/E RATIC } \end{aligned}$ | $1.0$ | \|DIV'D | $2.3$ |  | ALUE <br> LINE |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELIN | ESS 2 | Lowered | 39／18 | High： Low： | $\begin{array}{r} 42.0 \\ 25.6 \\ \hline \end{array}$ | $\begin{aligned} & 31.1 \\ & 17.0 \\ & \hline \end{aligned}$ | 29.4 17.5 | $\begin{aligned} & 37.0 \\ & 26.6 \end{aligned}$ | $\begin{aligned} & 42.5 \\ & 28.1 \end{aligned}$ | $\begin{aligned} & 65.9 \\ & 41.9 \end{aligned}$ | $\begin{aligned} & 82.5 \\ & 62.4 \end{aligned}$ | $\begin{array}{r} 106.0 \\ 74.0 \end{array}$ | $\begin{array}{r} 135.5 \\ 92.2 \end{array}$ | $\begin{aligned} & \hline 139.0 \\ & 109.6 \end{aligned}$ | $\begin{aligned} & 191.5 \\ & 133.0 \end{aligned}$ | $\begin{aligned} & 207.6 \\ & 175.4 \end{aligned}$ |  |  | Target Price 20212022 | Range 2023 |
| SAFET | 1 | Raised 10 | 1／507 | LEG | x＂Cash |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| TECHNI BETA 1.00 | CAL 3 00 （1．00 | Raised 3 <br> ＝Market） |  |  |  | ow＂$p$ s <br> recess |  |  |  |  |  |  |  |  |  |  |  |  |  | -320 -200 |
|  | $1-23$ P | JECTIO |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 160 |
|  | － |  | Total |  |  |  |  |  |  |  |  |  |  | 畋以穴 | － |  |  |  |  | 120 |
|  | Price | Gain | eturn |  |  |  |  |  |  |  |  |  | 㕩曲曲 |  |  |  |  |  |  | 100 |
| $\begin{array}{\|l\|l\|} \text { High } \\ \text { Low } \end{array}$ |  | 45\% | 12\% |  |  |  |  |  |  |  | ， 1 爯 | ， 11 |  |  |  |  |  |  |  | 80 |
| Insider | Decisi | ons |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 60 |
|  | M J J | A S O | $\begin{array}{lll}\mathbf{N} & \mathbf{D} & J \\ 0 & 0 & 0\end{array}$ |  |  |  |  |  |  | יויו＇י |  |  |  |  |  |  |  |  |  | 40 |
| to Buy Options to Sell | $\begin{array}{lll} 1 & 0 & 0 \\ 4 & 0 & 0 \\ 6 & 0 & 0 \end{array}$ | $\begin{array}{lll} 0 & 0 & 0 \\ 3 & 1 & 0 \\ 2 & 1 & 0 \end{array}$ | $\begin{array}{llll}0 & 0 & 0 \\ 0 & 2 & 0 \\ 0 & 2 & 0\end{array}$ |  |  |  |  | $\left.{ }^{111}\right\|_{11}{ }^{101}$ | ＇1＇י1 |  |  |  | －＂ |  |  |  |  |  |  | 40 |
| Institut | tional D | ecision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 202017 | 302017 | 402017 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | STOCK INDEX | －18 |
| to Buy | 800 | 882 | 832 | shares |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{ll}28.7 & 10.1\end{array}$ |  |
| to Sell Hld＇s（000） | 819 924776 | 770 905348 |  | traded |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & 3 \mathrm{yr} . \\ & 5 \mathrm{yr} . \end{aligned}$ | $\begin{array}{rr} 69.3 & 24.2 \\ 195.9 & 76.2 \end{array}$ |  |
| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |  | E 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 | er sh ${ }^{\text {A }}$ | 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 | Earning | s 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 $\mathrm{C}_{\text {■ }}$ | 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 | Vaue 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 | Comm | n Shs Outst＇g ${ }^{\text {D }}$ | 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 | Bold fil | res are | Avg A | ＇I 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 |  | Line | Relativ | 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\％ |  | tes | Avg An | n＇I Div＇d Yield | 2．6\％ |
|  |  |  |  |  |  | 71288 | 65955 | 67997 | 70395 | 74754 | 78812 | 83176 | 88519 | 94595 | 100904 | 107500 | 112400 | Sales | mill）${ }^{\text {A }}$ | 128000 |
| CAPITAL STRUCTURE as of 1／28／18 |  |  |  |  |  | 33．7\％ | 33．9\％ | 34．3\％ | 34．5\％ | 34．6\％ | 34．8\％ | 34．8\％ | 34．2\％ | 34．2\％ | 34．1\％ | 34．0\％ | 34．0\％ | Gross | Margin | 34．0\％ |
| Total Debt $\$ 27028$ mill．Due in 5 Yrs $\$ 6425$ mill． LT Debt $\$ 24267$ mill．LT Interest $\$ 1045$ mill． （Total interest coverage：13．9x．LT int earned： 13．9x） |  |  |  |  |  | 8．6\％ | 10．1\％ | 11．0\％ | 11．7\％ | 12．7\％ | 13．7\％ | 14．6\％ | 15．1\％ | 16．0\％ | 16．5\％ | 16．4\％ | 16．3\％ | Opera | ing Margin | 16．3\％ |
|  |  |  |  |  |  | 2274 | 2244 | 2248 | 2252 | 2256 | 2263 | 2269 | 2274 | 2278 | 2284 | 2287 | 2290 | Numbe | of Stores | 2300 |
|  |  |  |  |  |  | 2982.0 | 2811.0 | 3371.0 | 3883.0 | 4680.0 | 5385.0 | 6139.0 | 6848.0 | 7957 | 8832 | 10800 | 11235 | Net Pr | fit（\＄mill） | 12760 |
|  |  |  |  | （94\％of | f Cap’） | 37．4\％ | 34．5\％ | 36．7\％ | 36．0\％ | 36．5\％ | 36．4\％ | 36．4\％ | 36．4\％ | 36．3\％ | 36．1\％ | 26．0\％ | 26．0\％ | Income | Tax Rate | 26．0\％ |
| Leases，Uncapitalized Annual rentals $\$ 868$ mill． |  |  |  |  |  | 4．2\％ | 4．3\％ | 5．0\％ | 5．5\％ | 6．3\％ | 6．8\％ | 7．4\％ | 7．7\％ | 8．4\％ | 8．8\％ | 10．1\％ | 10．0\％ | Net Pro | fit Margin | 10．0\％ |
| No Defined Benefit Pension Plan |  |  |  |  |  | 2209.0 | 3537.0 | 3357.0 | 5144.0 | 3910.0 | 4530.0 | 4033.0 | 4467.0 | 3591 | 2739 | 3000 | 3500 | Work | Cap＇l（\＄mill） | 3500 |
| Pfd Stock None |  |  |  |  |  | 9667.0 | 8662.0 | 8707.0 | 10758 | 9475.0 | 14691 | 16869 | 20888 | 22349 | 24267 | 25000 | 25000 | Long－T | erm Debt（\＄mill） | 25000 |
|  |  |  |  |  |  | 17777 | 19393 | 18889 | 17898 | 17777 | 12522 | 9322.0 | 6316.0 | 4333 | 1454 | 750 | 1000 | Shr．Eq | uity（\＄mill） | 1000 |
| Common Stock 1，167，748，619 shs． as of 11／14／17 |  |  |  |  |  | 11．9\％ | 11．1\％ | 13．0\％ | 14．5\％ | 18．3\％ | 21．0\％ | 25．0\％ | 26．8\％ | 31．6\％ | 36．4\％ | 44．0\％ | 45．5\％ | 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 | Return | on Shr．Equity | NMF |
| MARKET CAP：\＄208 billion（Large Cap） |  |  |  |  |  | $\begin{gathered} 8.2 \% \\ 51 \% \end{gathered}$ | 6．6\％ | 9．5\％ | 12．6\％ | 16．5\％ | 25．1\％ | 38．7\％ | 60．4\％ | 105．1\％ | NMF | NMF | NMF | Retain | d to Com Eq | NMF |
| CURRENT POSITION （\＄MILL．） |  |  | 2015 | 2016 1／28／18 |  |  | 54\％ | 47\％ | 42\％ | 37\％ | 42\％ | 41\％ | 44\％ | 43\％ | 48\％ | 44\％ | 46\％ | All Div＇ | ds to Net Prof | 49\％ |


| Cash Assets | 2216 | － 2538 | 835 |
| :---: | :---: | :---: | :---: |
| Receivables | 1890 | 2029 | 91952 |
| Inventory（LIFO） | 11809 | 12549 | 12748 |
| Other | 1078 | 608 | 833 |
| Current Assets | 16993 | $\overline{17724}$ | $4 \overline{18933}$ |
| Accts Payable | 6565 | 7000 | － 7244 |
| Debt Due | 427 | 1252 | 2761 |
| Other | 5534 | 5881 | 16189 |
| Current Liab． | 12526 | 14133 | $\overline{16194}$ |
| ANNUAL RATES | Past | Past Est | st＇d＇14－＇16 |
| of change（per sh） | $10 \mathrm{Yrs}$. | $5 \mathrm{Yrs}$. | to＇21－＇23 |
| 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\％ |


| $\begin{gathered} \hline \text { Fiscal } \\ \text { Year } \\ \text { Begins } \\ \hline \end{gathered}$ | QUARTERLY SALES（\＄mill．）A Apr．Per Jul．Per Oct．Per Jan．Per |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 2015 | 20891 | 24829 | 21819 | 20980 | 88519 |
| 2016 | 22762 | 26472 | 23154 | 22207 | 94595 |
| 2017 | 23887 | 28108 | 25026 | 23883 | 00904 |
| 2018 | 25300 | 29600 | 26000 | 26600 | 107500 |
| 2019 | 26800 | 31400 | 27750 | 26450 | 112400 |
| $\begin{gathered} \hline \text { Fiscal } \\ \text { Year } \\ \text { Begins } \\ \hline \end{gathered}$ | EARNINGS PER SHARE A B Apr．Per Jul．Per Oct．Per Jan．Per |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| 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 |
| Cal－ endar | QUARTERLY DIVIDENDS PAID C． |  |  |  | Full <br> 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 |
| 20 | 1.03 |  |  |  |  |

BUSINESS：The Home Depot，Inc．operates a chain of 2，284 retail ings；plumbing，heating，\＆electrical；paint \＆furniture；seasonal and building supply／home improvement＂warehouse＂stores across the specialty items；hardware \＆tools．Has about 406，000 employees． 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 cover－
The Home Depot finished fiscal 2017
（ended J anuary 28，2018）in fine fash－ ion．Sales in the final stanza of the year rose $7.5 \%$ from a year earlier，to $\$ 23.883$ billion，besting our estimate of $\$ 23.554$ bil－ lion．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（on－ line sales were up $21 \%$ in the J anuary term），and a weaker U．S．dollar．By de－ partment，lumber，electrical，and tools were particularly strong．The gross margin contracted 12 basis points from a year ear－ lier，as hurricane－related sales are typical－ ly for lower－margined items．However，op－ erating expenses as a function of sales fell thanks to the robust top－line gain．Exdud－ ing a $\$ 0.17$ charge related to the impact of the Tax Cuts and J obs Act and one－time bonuses to hourly employees，share earn－ ings jumped $17 \%$ ，to $\$ 1.69$ ，nicely ahead of our $\$ 1.60$ estimate．
Fiscal 2018 is shaping up to be anoth－
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．
er good year for this retailer．To start， the year contains 53 weeks，and the extra week is anticipated to add some $\$ 1.6$ bil－ lion to sales and $\$ 0.19$ to share net．A lower tax rate is another big plus，and management expects the rate to be ap－ proximately $26 \%$ this fiscal year．Beyond that benefit，the company sees tax reform as being a net positive for its business， despite less favorable treatment for prop－ erty taxes and mortgage interest．While interest rates are climbing，job and income growth ought to fuel home price appreci－ ation 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 port－ folios，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 is－ sue＇s top marks for Safety，Price Growth Persistence，and Earnings Predictability ought to appeal to conservative accounts． Matthew E．Spencer，CFA March 23， 2018
（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；June，Sept．，and Dec．I Div＇d reinvest．plan ＇15，\＄0．12；＇17，（\＄0．17）．Totals may not sum avail．（D）In millions，adjusted for stock splits due to rounding．Next earnings report due May（E）Includes intangibles．At 1／31／16：\＄2，102 15th．（C）Dividends historically paid in March，

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

