

| Cash Assets | 2538 | 3595 | 8 |
| :---: | :---: | :---: | :---: |
| Receivables | 2029 | 1952 | 1936 |
| Inventory (LIFO) | 12549 | 12748 | 13925 |
| Other | 608 | 638 | 890 |
| Current Assets | 17724 | 18933 | 18529 |
| Accts Payable | 7000 | 7244 | 7755 |
| Debt Due | 1252 | 2761 | 2395 |
| Other | 5881 | 6189 | 6566 |
| Current Liab. | $\overline{14133}$ | 16194 | 16716 |


| ANNUAL RATES <br> of change (per sh) Sales <br> "Cash Flow" <br> Earnings <br> Dividends <br> Book Value |  | Past 10 Yrs. $6.0 \%$ $8 \%$ $9.5 \%$ $16.0 \%$ $-12.0 \%$ |  | $$ | $\begin{aligned} & \text { d'15-'17 } \\ & \hline 22.24 \\ & 7.5 \% \\ & 0.0 \% \\ & 1.0 \% \\ & 5.0 \% \\ & \text { NMF } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| $\begin{gathered} \text { Fiscal } \\ \text { Fear } \\ \text { Begins } \end{gathered}$ | QUARTERLY SALES (\$ mill.) A Apr.Per Jul.Per Oct.Per Jan.Per |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| 2016 | 22762 | 26472 | 23154 | 22207 | 94595 |
| 2017 | 23887 | 28108 | 25026 | 23883 | 100904 |
| 2018 | 24947 | 30463 | 26302 | 26491 | 108203 |
| 2019 | 26400 | 31200 | 27875 | 26300 | 111775 |
| 2020 | 27800 | 32600 | 29100 | 27000 | 116500 |
| $\begin{gathered} \text { Fiscal } \\ \text { Year } \\ \text { Begins } \end{gathered}$ | EARNINGS PER SHARE A B Apr.Per Jul.Per Oct.Per Jan.Per |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fislilal } \\ & \text { Year } \end{aligned}$ |
| 2016 | 1.44 | 1.97 | 1.60 | 1.44 | 6.45 |
| 2017 | 1.67 | 2.25 | 1.84 | 1.69 | 7.46 |
| 2018 | 2.08 | 3.05 | 2.51 | 2.25 | 9.89 |
| 2019 | 2.15 | 3.15 | 2.55 | 2.20 | 10.05 |
| 2020 | 2.35 | 3.45 | 2.75 | 2.40 | 10.95 |
| Calendar | QUARTERLY DIVIDENDS PAID C. |  |  |  | Full <br> Year |
| 2015 | . 59 | . 59 | . 59 | . 59 | 2.36 |
| 2016 | . 69 | . 69 | . 69 | . 69 | 2.76 |
| 2017 | . 89 | . 89 | . 89 | . 89 | 3.56 |
| 2018 | 1.03 | 1.03 | . 03 |  | 4.12 |
| 2019 | 1.36 |  |  |  |  |

BUSINESS: The Home Depot, Inc. operates a chain of 2,287 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of $2 / 3 / 19$ ). Acquired Hughes Supply in $1 / 06$. Average store size: roughly 104,000 sq. ft. indoor plus $24,000 \mathrm{sq}$. ft. garden center. Items stocked: about 35,000 . Product lines include building materials; lumber; floor/wall cover-
The Home Depot released mixed fiscal fourth-quarter (ended February 3rd) results. Sales rose 10.9\% from a year earlier, nearly matching our $\$ 26.488$ billion target. However, the figure fell short of the Wall Street consensus. Likewise, samestore sales growth of $3.2 \%$ (up $3.7 \%$ in the U.S.) failed to meet investors' expectations. Weather was the main culprit, as cold, wet conditions caused project delays and weighed on sales. The retailer estimated that unfavorable weather hurt fourth-quarter comps to the tune of 85 basis points. The stronger U.S. dollar was another headwind. A slowdown in the housing market probably didn't help, either. Below the top line, the gross margin expanded 19 basis points from a year earlier, though this was entirely due to a new accounting standard. A lower tax rate also hel ped the bottom line, but a $\$ 0.16$-a-share impairment charge related to certain trade names at Interline Brands hurt the GAAP figure. Excluding this charge, share net was $\$ 2.25$, above our $\$ 2.16$ forecast.
Fiscal 2019 may well prove to be more of an uphill climb than we had
thought, though there is reason for
ings; plumbing, heating, \& electrical; paint \& furniture; seasonal and specialty items; hardware \& tools. Has about 413,000 employees. Off. \& dir. own less than $1.0 \%$ of common stock; The Vanguard Group, 7.0\% (4/18 Proxy). Chairman, CEO, \& President: Craig Menear. Inc.: DE. Addr.: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.
optimism, as well. Management's latest guidance calls for same-store sales growth of $5.0 \%$ and top-line expansion of $3.3 \%$. This would put the sales figure at roughly $\$ 111.775$ billion, a bit below our previous call of $\$ 112.700$ billion. Housing ought to remain a tailwind (albeit not to the same degree as in recent years), thanks to stillfavorable trends in household formation, high levels of home equity, housing turnover, and the age of the housing stock. The gross margin is apt to narrow slightly, but the operating margin should remain more or less flat with fiscal 2018. All told, leadership is looking for share net of $\$ 10.03$ this year, while our call had been $\$ 10.15$. We think that there is more upside than downside to the retailer's forecast and have cut a dime from our estimate.
The quarterly cash dividend was raised $32 \%$, to $\$ 1.36$ a share. A new \$15 billion share-repurchase authorization was also announced.
We continue to like timely Home Depot stock for conservative investors looking for exposure to the housing/remodeling markets.
Matthew E. Spencer, CFA March 22, 2019

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); '18, (\$0.16). Totals may not sum due to rounding. Next earnings
report due May 21st. (C) Dividends historically
reinvest plan avail. (D) In millions, adjusted for reinvest. plan avail. (D) In millions, adjusted for stock splits. (E) Includes intangibles. At
1/28/18: \$2,275 mill. (\$1.96/share).

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

