

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 sq. ft. garden center. Items stocked: about 35,000. Product lines include building materials; lumber; floor/wall cover-

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.

ANNUAL RATES Past Est'd '15-'17 Past 10 Yrs. to '22-'24 of change (per sh) 5 Yrs. Sales "Cash Flow" 6.0% 8.5% 11.5% 17.5% 7.5% 10.0% Earnings Dividends Book Value 20.5% 22.5% -22.5% 11.0% 15.0% NMF 9.5%

7000 1252 5881

14133

**Current Assets** 

Accts Payable Debt Due

Current Liab.

Other

18933

7244 2761

6189

16194

18529

7755 2395

6566

16716

Fiscal Year Begins			ALES (\$ m Oct.Per	ill.) <sup>A</sup> Jan.Per	Full Fiscal Year
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
Fiscal	EARNINGS PER SHARE A B				Full Fiscal Year
Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Year
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
Cal-	QUARTERLY DIVIDENDS PAID C ■				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	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	1.03	1.03	4.12
2019	1.36				

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 helped 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

**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 turn-over, 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

 (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); '18, (\$0.16). Totals may not sum due to rounding. Next earnings

paid in March, June, Sept., and Dec. Div'd reinvest. plan avail. (D) In millions, adjusted for stock splits. (E) Includes intangibles. At report due May 21st. (C) Dividends historically 1/28/18: \$2,275 mill. (\$1.96/share).

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

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