| HOME DEPOT NYSE-HD |  |  |  |  |  |  |  | $\begin{array}{\|l\|l\|} \hline \text { RECENT } \\ \text { PRICE } \end{array} 198.01 \begin{aligned} & \text { PEE } \\ & \text { RATIO } \\ & \hline \end{aligned}$ |  |  |  |  |  | $\begin{aligned} & \text { RELATIVE } \\ & \text { P/E RATIO } 1.19 \end{aligned}$ |  |  | $2.7 \% \text { VALUE }$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELIN | ESS 2 | Lowered | 1/23/18 | \|ligh: $\begin{aligned} & \text { High: } \\ & \text { Low: }\end{aligned}$ | 31.1 17.0 | 29.4 <br> 17.5 | 37.0 26.6 | $\begin{aligned} & 42.5 \\ & 28.1 \end{aligned}$ | $\begin{aligned} & 65.9 \\ & 41.9 \end{aligned}$ | $\begin{aligned} & 82.5 \\ & 62.4 \end{aligned}$ | $\begin{array}{r} 106.0 \\ 74.0 \end{array}$ | $\begin{array}{r} 135.5 \\ 92.2 \end{array}$ | $\begin{aligned} & \hline 139.0 \\ & 109.6 \end{aligned}$ | $\begin{aligned} & \hline 191.5 \\ & 133.0 \end{aligned}$ | $\begin{aligned} & \hline 215.4 \\ & 158.1 \end{aligned}$ | $\begin{aligned} & \hline 208.3 \\ & 168.2 \end{aligned}$ |  |  | Target Price $2022 \mid 2023$ | Range 2024 |
| SAFET | 1 | Raised 1 | 5/07 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 320 |
| TECHNIC BETA |  | Lowered <br> Market) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -320 |
| 2022-24 PROJECTIONS    <br>  Price   <br> Hain Ann'l Total   <br> Righ Return   <br> Low 285 $(+45 \%)$ $12 \%$ <br> Low 235 $(+20 \%)$ $7 \%$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -1710 |  |  |  |  | 160 |
|  |  |  |  |  |  |  |  |  |  |  |  |  | "年" |  |  |  |  |  |  | -120 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -100 |
|  |  |  |  |  |  |  |  |  |  | तोगा1 | IT |  |  |  |  |  |  |  |  | 80 |
| Insider Decisions |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 60 |
|  | A So | N D J | F M A |  |  |  |  |  | 'יוاוי', |  |  |  |  |  |  |  |  |  |  |  |
| to Buy Options to Sell | $\begin{array}{lll}0 & 0 & 0 \\ 2 & 0 & 0 \\ 3 & 0 & 0\end{array}$ | $\begin{array}{lll}2 & 0 & 0 \\ 1 & 1 & 0 \\ 1 & 1 & 0\end{array}$ | $\begin{array}{llll}0 & 0 & 0 \\ 0 & 9 & 0 \\ 0 & 4 & 0\end{array}$ |  |  |  | $\left.{ }^{\text {II }}\right\|_{11}$ | , |  |  |  |  |  |  |  |  |  |  |  | 40 |
| Institutional Decisions |  |  |  | Percen shares traded |  |  |  |  |  |  |  |  |  |  |  |  |  |  | T. RETURN 5/19 THIS VLARITH.* |  |
|  | 302018 | 402018 | 102019 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | STOCK INDEX | - ${ }^{18}$ |
| to Buy | 926 | 1061 | 1097 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 1 yr . | $3.7-6.7$ |  |
| to Sell | 981 | 995 | 970 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 3 yr . | 53.024 .4 |  |
| Hld's (000) | 791002 | 771349 | 764229 |  |  |  |  |  |  |  |  | ШلШ |  |  |  |  |  | 5 yr . | $164.0 \quad 30.8$ |  |
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |  | UE LINE PUB. LLC | 22-24 |
| 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 | 87.14 | 97.92 | 104.95 | 112.55 | Sales | sh ${ }^{\text {A }}$ | 134.00 |
| 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 | 9.19 | 11.92 | 12.15 | 13.15 | "Cash | Flow"per sh | 15.90 |
| 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 | 9.89 | 10.05 | 10.95 | Earning | s per sh AB | 13.35 |
| . 26 | . 33 | . 40 | . 68 | . 90 | . 90 | . 90 | . 95 | 1.04 | 1.16 | 1.56 | 1.88 | 2.36 | 2.76 | 3.56 | 4.12 | 5.44 | 6.40 | Div'ds | Decl'd per sh Cm | 7.80 |
| 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 | 1.26 | d1.70 | d2.60 | d3.85 | Book | alue per sh E | d6.00 |
| 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 | 1158.0 | 1105.0 | 1065.0 | 1035.0 | Comm | Shs Outst'g ${ }^{\text {D }}$ | 1000.0 |
| 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 | 18.9 | Bold fig | res are | Avg A | 'I P/E Ratio | 19.5 |
| . 95 | . 88 | . 78 | . 74 | . 82 | . 86 | 1.02 | . 99 | . 94 | 1.14 | 1.13 | 1.01 | 1.11 | 1.07 | 1.09 | 1.02 | Value | Line | Relativ | P/E Ratio | 1.10 |
| .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\% | 2.2\% | estim | ates | Avg An | 'I Div'd Yield | 3.0\% |
| CAPITAL STRUCTURE as of 5/5/19 |  |  |  |  |  | 65955 | 67997 | 70395 | 74754 | 78812 | 83176 | 88519 | 94595 | 100904 | 108203 | 111775 | 116500 | Sales ( | mill) A | 134000 |
| Total Debt $\$ 28260$ mill. Due in 5 Yrs $\$ 10334$ mill. LT Debt $\$ 26804$ mill. LT Interest $\$ 1005$ mill. (Total interest coverage: 15.1x. LT int earned: 15.1x) |  |  |  |  |  | 33.9\% | 34.3\% | 34.5\% | 34.6\% | 34.8\% | 34.8\% | 34.2\% | 34.2\% | 34.0\% | 34.3\% | 34.0\% | 34.1\% | Gross | largin | 34.3\% |
|  |  |  |  |  |  | 10.1\% | 11.0\% | 11.7\% | 12.7\% | 13.7\% | 14.6\% | 15.1\% | 16.0\% | 16.5\% | 16.3\% | 16.1\% | 16.2\% | Opera | g Margin | 16.3\% |
|  |  |  |  |  |  | 2244 | 2248 | 2252 | 2256 | 2263 | 2269 | 2274 | 2278 | 2284 | 2287 | 2292 | 2297 | Numbe | of Stores | 2310 |
|  |  |  |  |  |  | 2811.0 | 3371.0 | 3883.0 | 4680.0 | 5385.0 | 6139.0 | 6848.0 | 7957.0 | 8832.0 | 11305 | 11005 | 11550 | Net P | it (\$mill) | 13540 |
| (109\% of Cap'l) <br> Leases, Uncapitalized Annual rentals $\$ 976$ mill. No Defined Benefit Pension Plan |  |  |  |  |  | 34.5\% | 36.7\% | 36.0\% | 36.5\% | 36.4\% | 36.4\% | 36.4\% | 36.3\% | 36.1\% | 23.6\% | 25.5\% | 25.5\% | Income | Tax Rate | 26.0\% |
|  |  |  |  |  |  | 4.3\% | 5.0\% | 5.5\% | 6.3\% | 6.8\% | 7.4\% | 7.7\% | 8.4\% | 8.8\% | 10.4\% | 9.9\% | 9.9\% | Net Pro | it Margin | 10.1\% |
|  |  |  |  |  |  | 3537.0 | 3357.0 | 5144.0 | 3910.0 | 4530.0 | 4033.0 | 4467.0 | 3591.0 | 2739.0 | 1813.0 | 2000 | 2000 | Worki | Cap'l (\$mill) | 2000 |
| Pfd Stock None |  |  |  |  |  | 8662.0 | 8707.0 | 10758 | 9475.0 | 14691 | 16869 | 20888 | 22349 | 24267 | 26807 | 27000 | 27000 | Long-T | rm Debt (\$mill) | 27000 |
|  |  |  |  |  |  | 19393 | 18889 | 17898 | 17777 | 12522 | 9322.0 | 6316.0 | 4333.0 | 1454.0 | d1878 | d2750 | d4000 | Shr. Eq | uity (\$mill) | d6000 |
| Common Stock 1,100,286,099 shs. as of $5 / 21 / 19$ |  |  |  |  |  | 11.1\% | 13.0\% | 14.5\% | 18.3\% | 21.0\% | 25.0\% | 26.8\% | 31.6\% | 36.4\% | 47.5\% | 47.5\% | 52.5\% | Return | on Total Cap'l | 67.5\% |
|  |  |  |  |  |  | 14.5\% | 17.8\% | 21.7\% | 26.3\% | 43.0\% | 65.9\% | 108.4\% | 183.6\% | 607.4\% | NMF | NMF | NMF | Return | on Shr. Equity | NMF |
| MARKET CAP: \$218 billion (Large Cap) |  |  |  |  |  | $\begin{gathered} 6.6 \% \\ 54 \% \end{gathered}$ | 9.5\% | 12.6\% | 16.5\% | 25.1\% | 38.7\% | 60.4\% | 105.1\% | 317.7\% | NMF | NMF | NMF | Retaine | to Com Eq | NMF |
| CURRENT POSITION |  |  | $2017$ | 2018 | 5/5/19 |  | 47\% | 42\% | 37\% | 42\% | 41\% | 44\% | 43\% | 48\% | 42\% | 54\% | 58\% | All Div | ds to Net Prof | 58\% |


| Cash Assets | 3595 | 1778 | 1882 |
| :---: | :---: | :---: | :---: |
| Receivables | 1952 | 1936 | 2317 |
| Inventory (LIFO) | 12748 | 13925 | 15495 |
| Other | 638 | 890 | 859 |
| Current Assets | 18933 | 18529 | 20553 |
| Accts Payable | 7244 | 7755 | 10311 |
| Debt Due | 2761 | 2395 | 1456 |
| Other | 6189 | 6566 | 7906 |
| Current Liab. | $\overline{16194}$ | 16716 | 19673 |


| ANNUAL RATES <br> of change (per sh) Sales "Cash Flow" Earnings Dividends Book Value |  | Past 10 Yrs. 7.0\% $11.0 \%$$13.5 \%$ $15.5 \%$$-21.0 \%$ | Past Est'd '16-'18 <br> 5 Yrs. to'22.'24 <br> $11.5 \%$ $7.5 \%$ <br> $18.0 \%$ $8.5 \%$ <br> $20.5 \%$ $9.0 \%$ <br> $2.5 \%$ $14.5 \%$ <br> $-37.5 \%$ NMF |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Fiscal <br> Year <br> Begins | 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 | 00904 |
| 2018 | 24947 | 30463 | 26302 | 26491 | 108203 |
| 2019 | 26381 | 31200 | 27894 | 26300 | 111775 |
| 2020 | 27800 | 32600 | 29100 | 27000 | 116500 |
| $\begin{gathered} \text { Fiscal } \\ \text { Bear } \\ \text { Begins } \end{gathered}$ | EARNINGS PER SHARE A B Apr.Per Jul.Per Oct.Per Jan.Per |  |  |  | $\begin{aligned} & \hline \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
|  |  |  |  |  |  |  |  |  |  |
| 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 | 2.27 | 3.11 | 2.56 | 2.11 | 10.05 |
| 2020 | 2.40 | 3.40 | 2.75 | 2.40 | 10.95 |
| Cal-endar | QUARTERLY DIVIDENDS PAID C. |  |  |  | Full Year |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 |  |
| 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 | 1.36 |  |  |  |

(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

BUSINESS: The Home Depot, Inc. operates a chain of 2,289 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of $5 / 5 / 19$ ). 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's fiscal first-quarter

 (ended May 5th) numbers need some explaining. The top line was essentially on par with our $\$ 26.4$ billion forecast, but comparable-store sales growth missed the mark, rising $2.5 \%$ (the consensus was $4.2 \%$ ). There were two primary reasons for the lackluster comps: wet weather in February that delayed projects and lumber price deflation. Absent these two headwinds, management estimated that comps would have been up about $4.5 \%$. Nonetheless, the company delivered strong earnings of $\$ 2.27$ a share, $\$ 0.12$ ahead of our call and $9 \%$ higher than the year-earlier tally. Expense discipline, operating margin expansion (despite a 36-basis-point dip in the gross margin), share repurchases, and a lower-than-expected tax rate all lent support to share earnings.The retailer's full-year fiscal 2019 guidance was unchanged, with some caveats. Key assumptions were maintained, including top-line growth of $3.3 \%$; a roughly $5 \%$ increase in comps; and share earnings of $\$ 10.03$. Its macroeconomic outlook was also little changed since late February, and despite some un-
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, 7.6\% (4/19 Proxy). Chairman, CEO, \& President: Craig Menear. Inc.: DE. Addr.: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.
evenness in the housing market, interest rates have pulled back and trends in home price appreciation, household formation, turnover, and the age of the housing stock remain supportive. However, The Home Depot declined to take into account recent tariff increases on some imports from China to $25 \%$ and lumber prices into its outlook. Both situations are fluid, though we are more concerned with lumber than tariffs. Leadership noted that if lumber prices remain at recent levels, they could pull as much as $\$ 800$ million from its sales forecast. Top-line drivers include ongoing investments in omnichannel selling capabilities and a focus on professional customers. All told, we are leaving our sales and earnings targets intact, for now.
We still think that there is plenty to like here. Long-term capital gains potential is not head-turning, but this best-inclass retailer typically commands a premium valuation. Moreover, the stock is still timely (2: Above Average) and garners top marks for Safety, Price Growth Persistence, and Earnings Predictability. A generous dividend yield sweetens the pot. Matthew E. Spencer, CFA J une 21, 2019

