

# HOME DEPOT NYSE-HD

RECENT PRICE **49.38** P/E RATIO **18.2** (Trailing: 20.1 Median: 16.0) RELATIVE P/E RATIO **1.17** DIV'D YLD **2.3%** VALUE LINE

**TIMELINESS** 2 Raised 8/26/11  
**SAFETY** 1 Raised 10/5/07  
**TECHNICAL** 3 Lowered 3/23/12  
 BETA .95 (1.00 = Market)

High: 53.7 52.6 37.9 44.3 44.0 43.9 42.0 31.1 29.4 37.0 42.5 49.7  
 Low: 30.3 23.0 20.1 32.3 34.6 32.8 25.6 17.0 17.5 26.6 28.1 41.9

LEGENDS  
 — 12.0 x "Cash Flow" p sh  
 ... Relative Price Strength  
 3-for-2 split 12/99  
 Options: Yes  
 Shaded areas indicate recessions

**2015-17 PROJECTIONS**

	Price	Gain	Ann'l Total Return
High	70	(+40%)	11%
Low	60	(+20%)	8%

**Insider Decisions**

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	0	0	0	1	0	0
to Sell	2	0	0	1	0	0	1	0	0

**Institutional Decisions**

	2Q2011	3Q2011	4Q2011
to Buy	366	435	475
to Sell	533	476	508
Hlds(000)	111200911	1048411	1098354

Percent shares traded: 18, 12, 6

% TOT. RETURN 2/12  
 THIS STOCK VL ARITH. INDEX  
 1 yr. 30.7 -0.4  
 3 yr. 150.8 163.8  
 5 yr. 40.7 31.7

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
9.03	11.00	13.65	16.68	19.68	22.83	25.40	27.31	33.86	38.38	46.11	45.77	42.03	38.84	41.90	<b>46.15</b>	<b>50.25</b>	<b>53.10</b>	Sales per sh <sup>A</sup>	<b>63.85</b>
.54	.66	.90	1.21	1.37	1.62	1.99	2.27	2.93	3.44	3.82	3.50	2.81	2.66	3.07	<b>3.60</b>	<b>3.95</b>	<b>4.30</b>	"Cash Flow" per sh	<b>5.15</b>
.43	.52	.71	1.00	1.10	1.29	1.56	1.88	2.26	2.72	2.79	2.27	1.78	1.66	2.03	<b>2.47</b>	<b>2.80</b>	<b>3.15</b>	Earnings per sh <sup>AB</sup>	<b>4.00</b>
.05	.06	.08	.11	.16	.17	.21	.26	.33	.40	.68	.90	.90	.90	.95	<b>1.04</b>	<b>1.20</b>	<b>1.32</b>	Div'ds Decl'd per sh <sup>C</sup>	<b>1.68</b>
2.75	3.23	3.95	5.36	6.46	7.71	8.64	9.44	11.19	12.67	12.71	10.48	10.48	11.42	11.64	<b>11.75</b>	<b>12.35</b>	<b>13.10</b>	Book Value per sh <sup>E</sup>	<b>18.85</b>
2162.3	2196.3	2213.2	2304.3	2323.7	2345.9	2293.0	2373.0	2158.7	2124.0	1970.0	1690.0	1696.0	1698.0	1623.0	<b>1525.0</b>	<b>1460.0</b>	<b>1410.0</b>	Common Shs Outst'g <sup>D</sup>	<b>1300.0</b>
26.5	30.8	40.1	45.8	46.6	35.6	22.6	16.7	16.7	14.7	13.7	15.4	14.3	15.3	15.6	15.0	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	<b>16.0</b>
1.66	1.78	2.09	2.61	3.03	1.82	1.23	.95	.88	.78	.74	.82	.86	1.02	.99	.95			Relative P/E Ratio	<b>1.03</b>
4%	4%	3%	2%	3%	4%	6%	8%	9%	1.0%	1.8%	2.6%	3.5%	3.5%	3.0%	2.8%			Avg Ann'l Div'd Yield	<b>2.6%</b>

**CAPITAL STRUCTURE as of 1/29/12**

Total Debt \$10788 mill. Due in 5 Yrs \$2425 mill.	58247	64816	73094	81511	90837	77349	71288	65955	67997	70395	<b>73400</b>	<b>74900</b>	Sales (\$mill) <sup>A</sup>	<b>83000</b>
LT Debt \$10758 mill. LT Interest \$590 mill.	32.6%	33.4%	35.2%	33.5%	32.8%	33.6%	33.6%	33.9%	34.3%	34.5%	<b>34.6%</b>	<b>34.6%</b>	"Cash Flow" per sh	<b>34.3%</b>
(Total interest coverage: 11.1x. LT int earned: 12.7x)	1532	1707	1890	2042	2147	2234	2274	2244	2252	2263	<b>2275</b>	<b>2275</b>	Operating Margin	<b>12.0%</b>
	3664	4304	5001	5838	5761	4210	2982	2811	3371	3883	<b>4200</b>	<b>4565</b>	Number of Stores	<b>2310</b>
	37.6%	37.1%	36.8%	37.1%	38.1%	36.4%	37.4%	34.5%	36.7%	36.0%	<b>37.0%</b>	<b>37.0%</b>	Net Profit (\$mill)	<b>5200</b>
Leases, Uncapitalized Annual rentals \$783.0 mill.	6.3%	6.6%	6.8%	7.2%	6.3%	5.4%	4.2%	4.3%	5.0%	5.5%	<b>5.7%</b>	<b>6.1%</b>	Income Tax Rate	<b>37.0%</b>
No Defined Benefit Pension Plan	3882	3774	3661	2445	5069	1968	2209	3537	3357	5144	<b>5000</b>	<b>5000</b>	Net Profit Margin	<b>6.3%</b>
Pfd Stock None	1321	856	2148	2672	11643	11383	9667	8662	8707	10758	<b>10750</b>	<b>10750</b>	Working Cap'l (\$mill)	<b>5000</b>
	19802	22407	24158	26909	25030	17714	17777	19393	18889	17898	<b>18000</b>	<b>18500</b>	Long-Term Debt (\$mill)	<b>10750</b>
Common Stock 1,541,568,417 shs. as of 11/21/11	17.6%	18.7%	19.1%	20.0%	16.2%	15.5%	11.9%	11.1%	13.0%	<b>14.5%</b>	<b>15.5%</b>	<b>16.0%</b>	Shr. Equity (\$mill)	<b>24500</b>
MARKET CAP: \$76 billion (Large Cap)	18.5%	19.2%	20.7%	21.7%	23.0%	23.8%	16.8%	14.5%	17.8%	<b>21.5%</b>	<b>23.5%</b>	<b>24.5%</b>	Return on Total Cap'l	<b>15.0%</b>
	16.0%	16.6%	17.7%	18.5%	17.4%	14.1%	8.2%	6.6%	9.5%	<b>12.5%</b>	<b>13.5%</b>	<b>14.5%</b>	Return on Shr. Equity	<b>21.0%</b>
	13%	14%	14%	15%	24%	41%	51%	54%	47%	<b>42%</b>	<b>43%</b>	<b>42%</b>	Retained to Com Eq	<b>12.5%</b>
													All Div'ds to Net Prof	<b>42%</b>

**BUSINESS:** The Home Depot, Inc. operates a chain of 2,252 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada, China, and Mexico (as of 1/29/12). Acquired Hughes Supply in 1/06. Average store size: 105,000 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, and electrical; paint & furniture; seasonal and specialty items; hardware & tools. Has about 321,000 employees. Officers & directors own 1.0% of common; Capital World Investors, 11.9% (4/11 Proxy). Chairman & CEO: Frank Blake, Inc.: DE. Address: 2455 Paces Ferry Road, N.W. Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

**The Home Depot delivered strong fiscal fourth-quarter (ended January 29th) results.** Earnings of \$0.50 a share rose 39%, year to year, and were above our \$0.42 estimate. Comparable-store sales climbed 5.7%, and total sales increased a better-than-expected 6%. Both traffic and the average ticket rose, due in part to mild winter weather, which did not hamper exterior projects the way the cold and snow did the previous year. Sales of repair and maintenance items remained solid, and the holidays were bolstered by decorative items. The gross margin expanded modestly, while a reduced tax rate and lower share count also aided the bottom line.

**Fiscal 2012 should be another good year for the company.** January and February figures on building permits and housing starts were solid, though we expect maintenance and repair projects to continue driving results in the near term. All told, we look for the retailer to earn about \$2.80 a share this year on sales of roughly \$73.4 billion. Fiscal 2012 contains 53 weeks, and management anticipates opening 11 new stores this year. Moreover, comps will likely increase by a low single digit percent, and modest expansion of both the gross and operating margins is probable. Continued stock repurchases (about \$3.5 billion in fiscal 2012) should support share net. On the other hand, the tax rate will probably increase about 100 basis points, to 37%.

**We are introducing our fiscal 2013 earnings estimate of \$3.15 a share.** A modest increase in the store count and positive comps, combined with gradual (albeit uneven) strengthening of the general economy and housing market, should lead to a top-line advance of 2%. Additionally, margins will likely remain stable.

**These shares are a good selection for a variety of investors, in our view.** Our anticipation of strong near-term earnings growth should appeal to momentum investors, as should this issue's Timeliness rank of 2 (Above Average). Meanwhile, the stock's dividend yield, top rank for Safety (1), and Beta below 1.00 will probably please conservative accounts. One caveat is that total return potential is unimpressive, though it is more appealing on a risk-adjusted basis.

*Matthew E. Spencer, CFA March 30, 2012*

Fiscal Year Begins	QUARTERLY SALES (\$mill.) <sup>A</sup>				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
2009	15954	19071	16361	14569	65955
2010	16863	19410	16598	15126	67997
2011	16823	20232	17326	16014	70395
2012	<b>17600</b>	<b>20800</b>	<b>17700</b>	<b>17300</b>	<b>73400</b>
2013	<b>18300</b>	<b>21450</b>	<b>18400</b>	<b>16750</b>	<b>74900</b>

Fiscal Year Begins	EARNINGS PER SHARE <sup>A B</sup>				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
2009	.35	.64	.41	.24	1.66
2010	.45	.72	.51	.35	2.03
2011	.50	.86	.60	.50	2.47
2012	<b>.60</b>	<b>.96</b>	<b>.66</b>	<b>.58</b>	<b>2.80</b>
2013	<b>.69</b>	<b>1.10</b>	<b>.76</b>	<b>.60</b>	<b>3.15</b>

Calendar	QUARTERLY DIVIDENDS PAID <sup>C</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	.225	.225	.225	.225	.90
2009	.225	.225	.225	.225	.90
2010	.236	.236	.236	.236	.95
2011	.25	.25	.25	.29	1.04
2012	.29				

(A) Fiscal year ends Sunday closest to January 31st of the following year.  
 (B) Diluted earnings. Excludes nonrecurring losses: '07, \$0.10; '08, \$0.44; '09, \$0.09; '10, \$0.02. Total 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 1/30/11: \$1,187 mill. \$0.73/share.

Company's Financial Strength A++  
 Stock's Price Stability 85  
 Price Growth Persistence 25  
 Earnings Predictability 80

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