



# The Home Depot, Inc. (NYSE: HD)

Consumer Discretionary

**BUY:**  
HD

**Current Price:**  
\$320.79

**Target Price:**  
\$410

**Upside:**  
28%

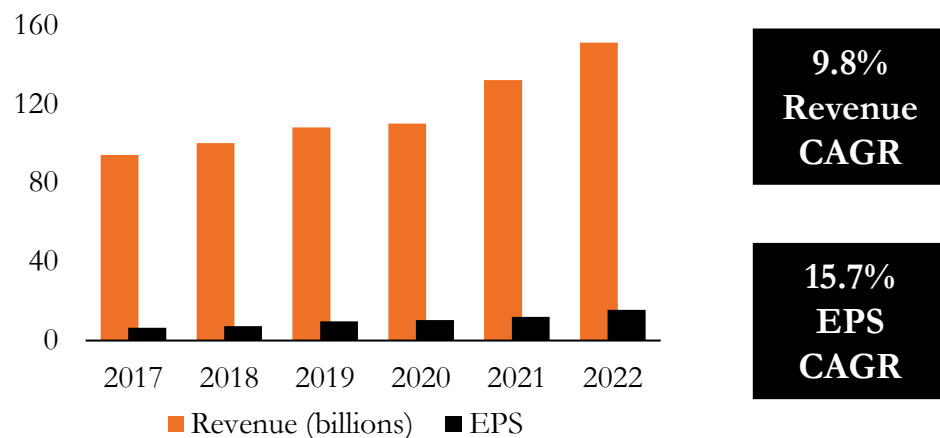
# Company Overview



## Overview

- The Home Depot, Inc. is a multinational home improvement retail corporation that sells tools, construction products, appliances, and services
- Serves both do-it-yourself consumers and professional service providers such as electricians, plumbers, etc.
- Over 2,300 retail stores across North America

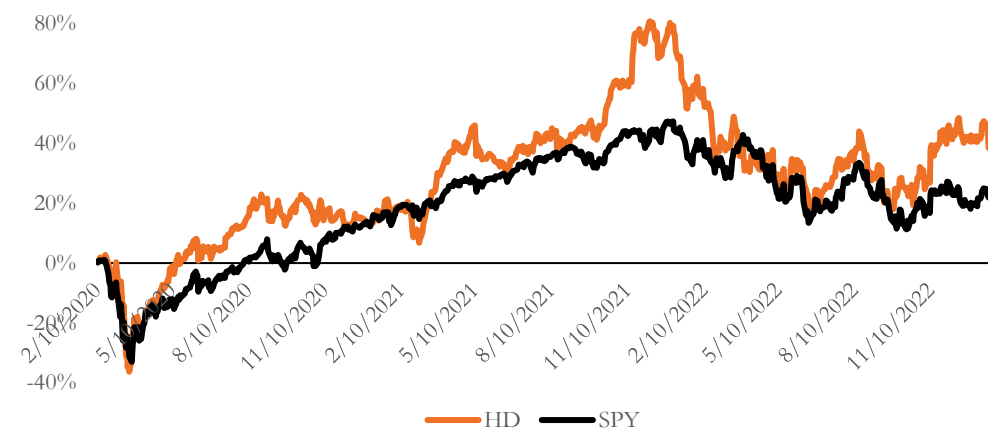
## Revenue and EPS



## Key Statistics

Current Share Price	\$320.79
52 Week Range	\$264.51 – \$363.00
Market Cap.	\$334.37 B
Enterprise Value	\$367.08 B
Founded	1978
IPO	September 1981

## Historical Stock Price (3Y)



# Industry Analysis



## Overview

- Home improvement industry players provide products and services related to maintenance and renovation
- Products consist of the sale of building materials, appliances, decorations, and other enhancements
- Services include building, installation, and modification done by contractors, builders, tradespeople, etc.

## Key Trends

1

Since the pandemic, remodeling activity (professional/DIY) has experienced record highs in volume

2

Recessionary fears have negatively impacted projected consumer spending and the metric for expected remodeling activity (LIRA)

3

Mortgage rates peaked at 7% in October which decreased home-building activity, but have since declined as sentiment has risen

## Competition

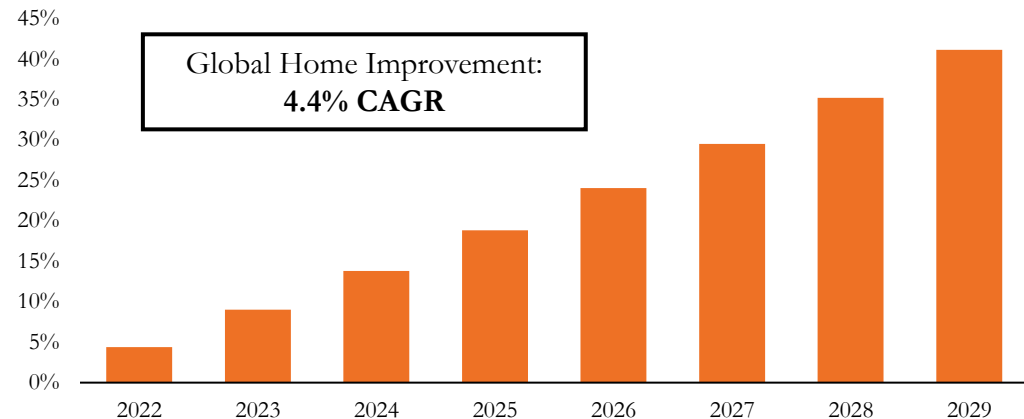


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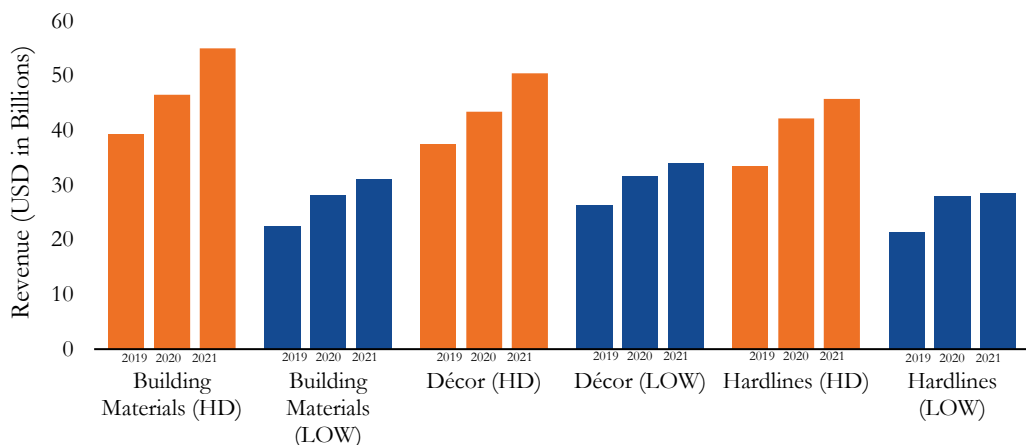
## Market Growth



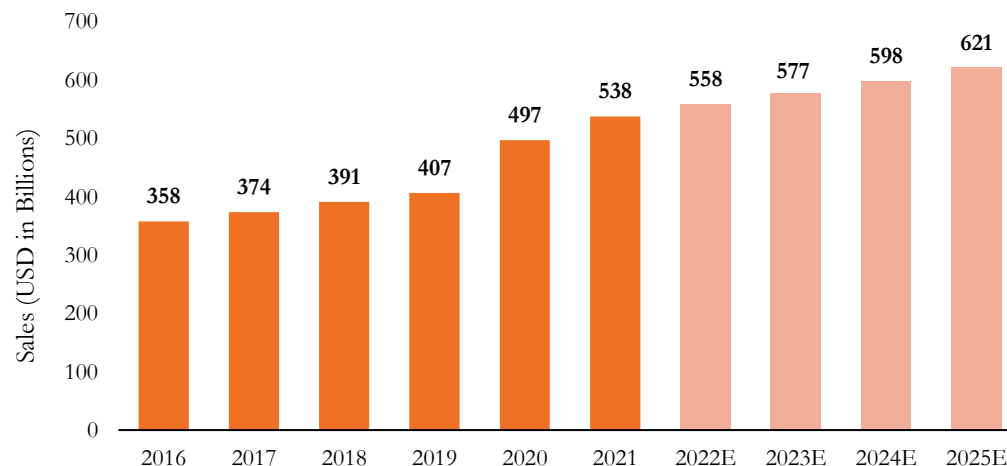
# Resilient Home Services Spending



## Revenue Growth in Industry Sustained After Lockdowns



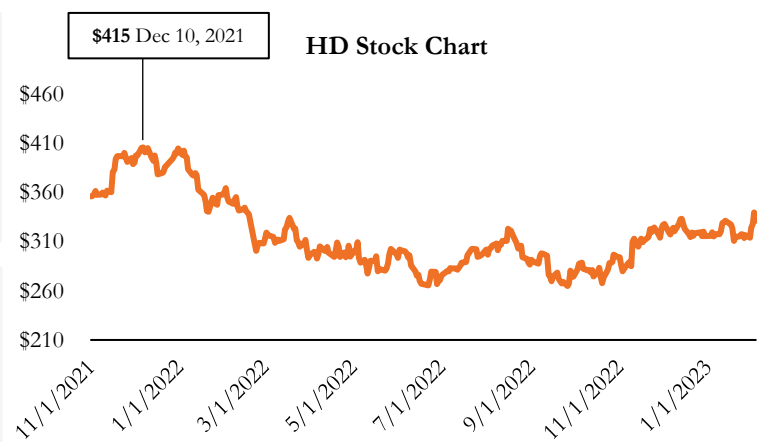
## Home Improvement Market Size in the US



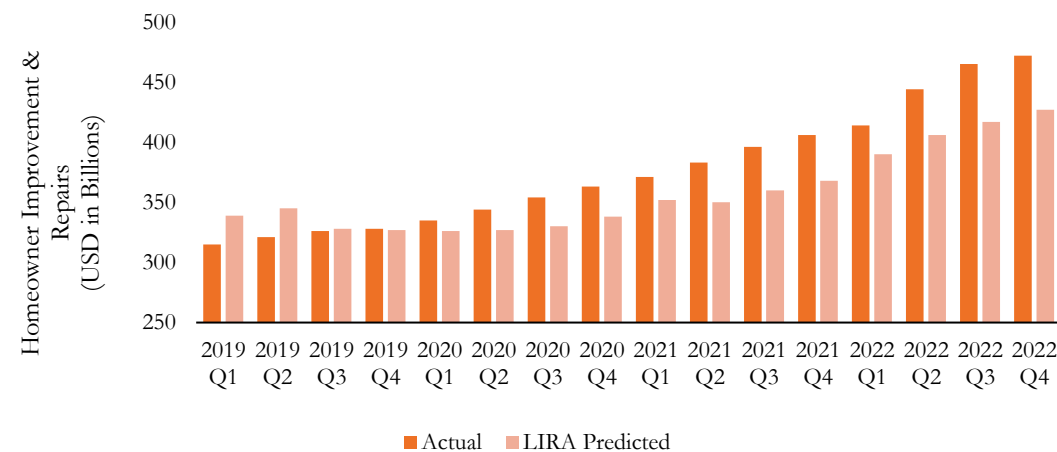
## Leading Indicator Remodeling Activity (LIRA) Projected Decrease

LIRA projects year-over-year growth in homeowner remodeling and repair spending to shrink from **16.1%** in 2022 to **2.6%** by fourth quarter 2023

HD has dropped ~20% since a peak in Dec 2021 as LIRA predictions are priced in



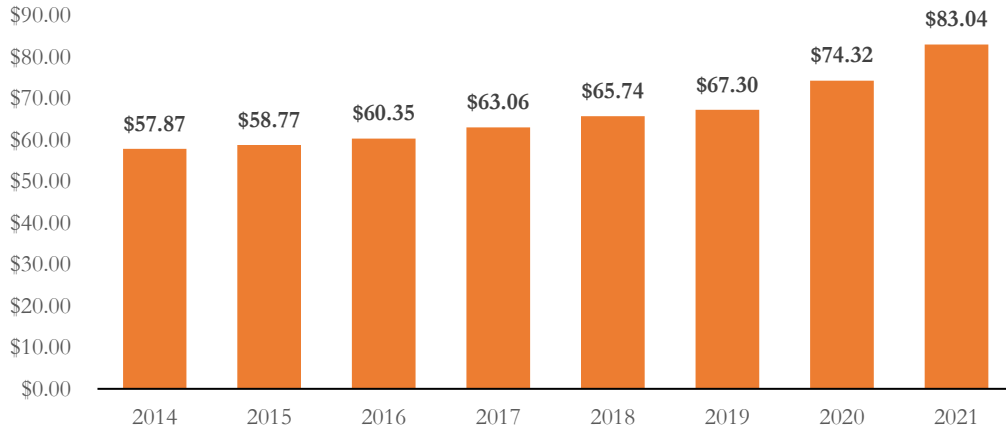
## LIRA Predictions vs. Actual



# Focus on Professional Customers



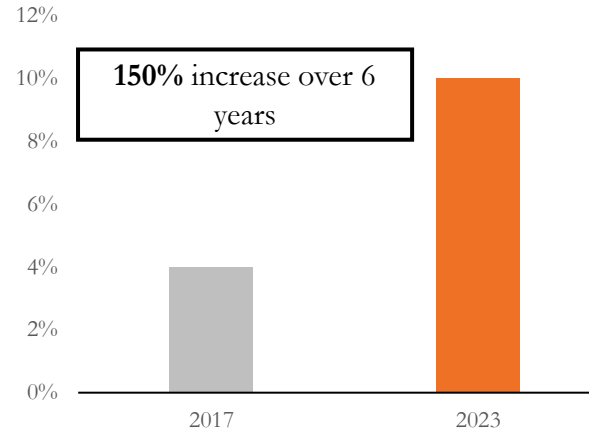
## Increased Average Customer Spending



## Investment in Supply Chain

- Home Depot invested **\$1.2 billion** into their new supply chain facilities to have larger stock for professional customers
- By the end of 2023, there will be a **75% increase** in these facilities from 2022
- At the end of five years the company plans to build **30 to 35 centers** in major U.S. markets
- These facilities will allow HD to fulfill larger orders, often placed by professionals and contractors working large-scale projects

## Growth of Professionals



Professionals have grown from 4% of customers to 10%. These professional customers make up about 50% of Home Depot's revenue

Professional consumer segment is expected to grow at a faster rate than the home improvement market in coming years

## New Tiered Benefits

### Members

- Personalized offers
- Paint pricing rewards
- Exclusive sales

### Elite

- Tier-specific gifts
- Elite support line for businesses

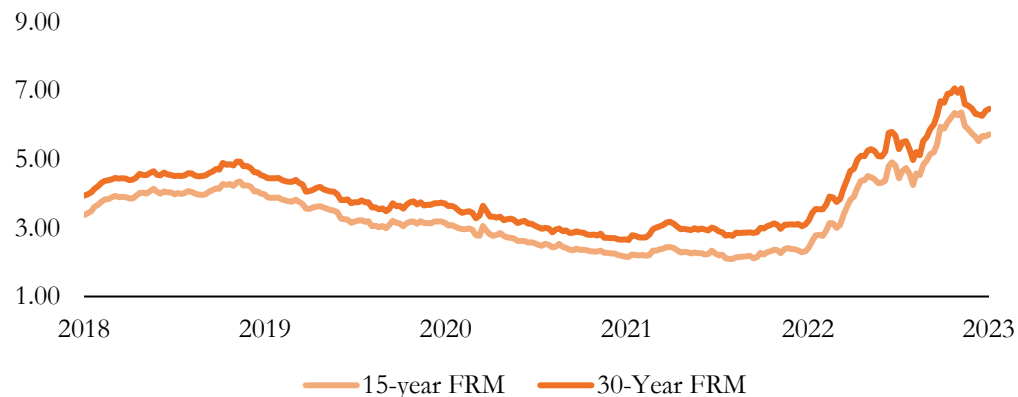
### VIP

- Preferred pricing opportunity
- Account management abilities

# Future Home Building Growth



## Historical Mortgage Rates



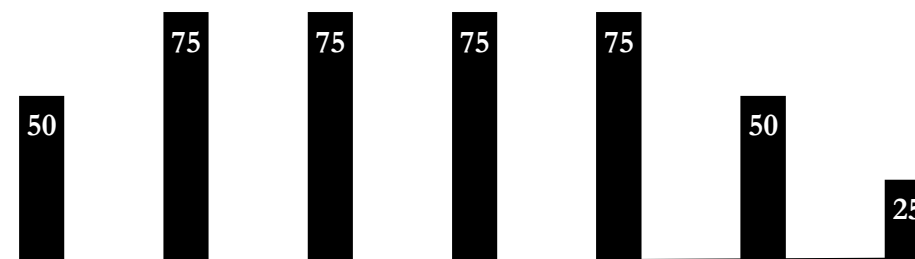
## Current Housing Shortage

- Since the 2008 financial crisis, the rate at which homes have been built has decreased dramatically
- There is currently a deficit of about 1.5 million homes in relation to the number that is considered necessary across the U.S. Builders would need to put up about 1.1 million homes this year to chip away at that housing shortage
- Different than the 2008 Housing Crash because there were more homes than buyers, now there are more buyers than houses

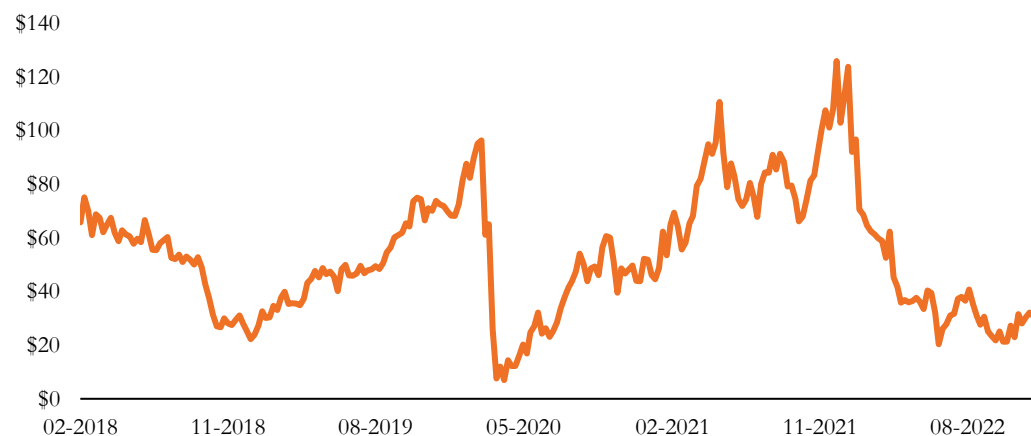
## Borrowing, Inflation and Home Depot

As the Federal Fund Rate reaches a peak and slashes commence, mortgage rates will see relief

Last 7 Federal Funds Rate Hikes



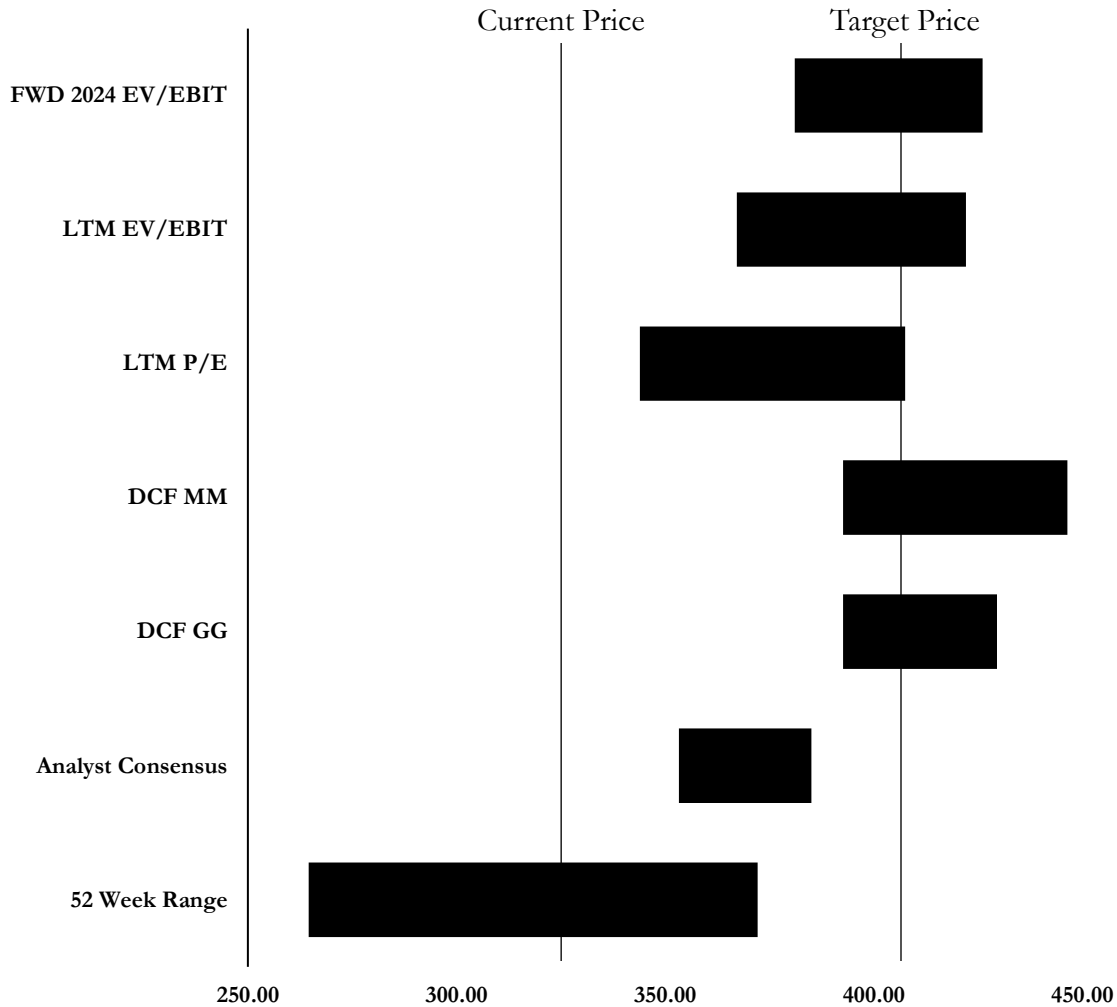
## Home Building ETF Performance



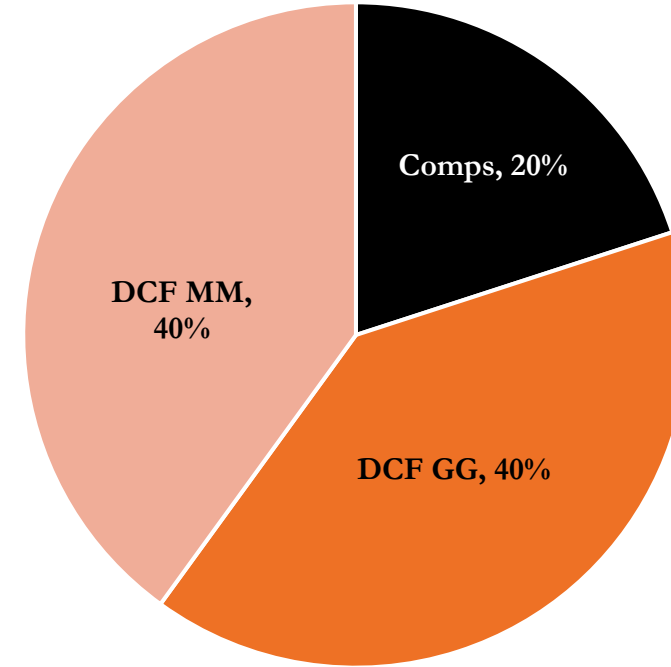
# Valuation



## HD Valuation



## Valuation Methodology

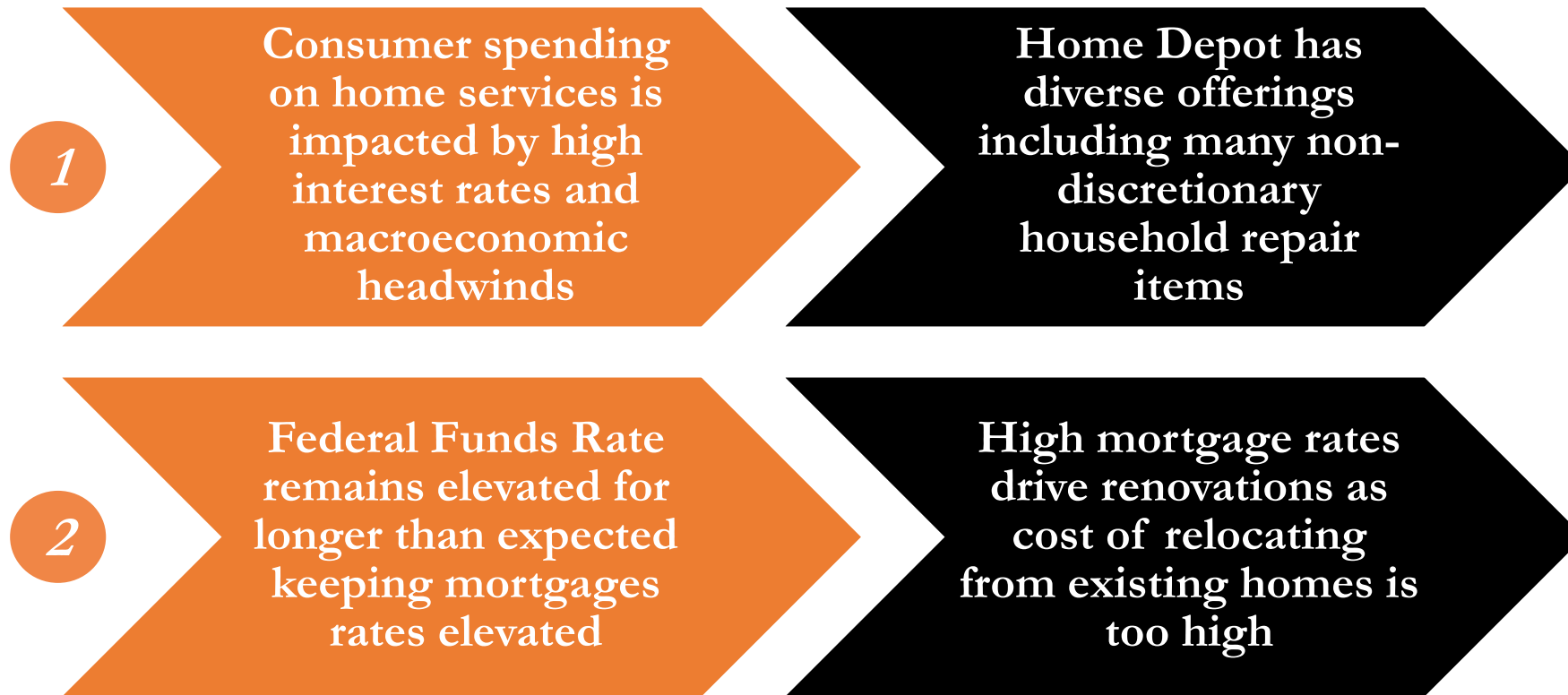


## Assumptions

<b>WACC</b> 7.94%	<b>Terminal Growth Rate</b> 2.50%	<b>Terminal Multiple</b> 22.91x
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# Risks and Mitigants

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**Thank You  
Questions?**

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HD

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\$320.79

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**Upside:**  
28%

# A: Income Statement



The Home Depot, Inc.				12 Months Ended								
Consolidated Statements of Earnings - USD (\$) shares in Millions, \$ in Millions				FYE 2019	FYE 2020	FYE 2021	2022E	2023E	2024E	2025E	2026E	2027E
<b>Revenue</b>												
Net sales		\$ 110,225	\$ 132,110	\$ 151,157	\$ 159,570	\$ 163,160	\$ 167,152	\$ 170,027	\$ 171,773	\$ 173,555		
<i>% Growth</i>			20%	14%	6%	2%	2%	2%	1%	1%		
Cost of sales		72,653	87,257	100,325	105,798	107,686	110,320	112,218	113,370	114,546		
<i>COGS Margin</i>		66%	66%	66%	66%	66%	66%	66%	66%	66%		
<b>Gross profit</b>		<b>37,572</b>	<b>44,853</b>	<b>50,832</b>	<b>53,771</b>	<b>55,475</b>	<b>56,832</b>	<b>57,809</b>	<b>58,403</b>	<b>59,009</b>		
<i>Gross Margin</i>		34%	34%	34%	34%	34%	34%	34%	34%	34%		
<b>Expenses</b>												
Selling, general and administrative		19,740	24,447	25,406	25,815	26,106	28,416	28,905	29,201	29,504		
<i>as % of sales</i>		18%	19%	17%	16%	16%	17%	17%	17%	17%		
Depreciation and amortization		1,989	2,128	2,386	2,590	3,263	3,343	3,401	3,435	3,471		
Total operating expenses		21,729	26,575	27,792	28,405	29,369	31,759	32,305	32,637	32,975		
<b>Operating income</b>		<b>15,843</b>	<b>18,278</b>	<b>23,040</b>	<b>25,367</b>	<b>26,106</b>	<b>25,073</b>	<b>25,504</b>	<b>25,766</b>	<b>26,033</b>		
<i>Operating Margin</i>		14%	14%	15%	16%	16%	15%	15%	15%	15%		
Interest and investment income		(73)	(47)	(44)	(12)	0	0	0	0	0		
Interest expense		1,201	1,347	1,347	1,565	1,632	1,672	1,700	1,718	1,736		
Interest and other, net		1,128	1,300	1,303	1,553	1,632	1,672	1,700	1,718	1,736		
<b>Earnings before provision for income taxes</b>		<b>14,715</b>	<b>16,978</b>	<b>21,737</b>	<b>23,814</b>	<b>24,474</b>	<b>23,401</b>	<b>23,804</b>	<b>24,048</b>	<b>24,298</b>		
Provision for income taxes		3,473	4,112	5,304	5,787	5,874	5,616	5,713	5,772	5,831		
<i>Tax Rate</i>		24%	24%	24%	24%	24%	24%	24%	24%	24%		
<b>Net earnings</b>		<b>\$ 11,242</b>	<b>\$ 12,866</b>	<b>\$ 16,433</b>	<b>\$ 18,026</b>	<b>\$ 18,600</b>	<b>\$ 17,785</b>	<b>\$ 18,091</b>	<b>\$ 18,277</b>	<b>\$ 18,466</b>		
<i>Net Margin</i>		10%	10%	11%	11%	11%	11%	11%	11%	11%		
Basic weighted average common shares		1,093	1,074	1,054	1,054	1,054	1,054	1,054	1,054	1,054		
Basic earnings per share (in dollars per share)		\$ 10.29	\$ 11.98	\$ 15.59	\$ 17.10	\$ 17.65	\$ 16.87	\$ 17.16	\$ 17.34	\$ 17.52		
Diluted weighted average common shares		1,097	1,078	1,058	1,058	1,058	1,058	1,058	1,058	1,058		
Diluted earnings per share (in dollars per shares)		\$ 10.25	\$ 11.94	\$ 15.53	\$ 17.04	\$ 17.58	\$ 16.81	\$ 17.10	\$ 17.27	\$ 17.45		

# B: Balance Sheet



The Home Depot, Inc. Consolidated Balance Sheets - USD (\$) \$ in Millions	Feb. 02, 2020	Jan. 31, 2021	Jan. 30, 2022
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,133	\$ 7,895	\$ 2,343
Receivables, net	2,106	2,992	3,426
Merchandise inventories	14,531	16,627	22,068
Other current assets	1,040	963	1,218
<b>Total current assets</b>	<b>19,810</b>	<b>28,477</b>	<b>29,055</b>
Net property and equipment	22,770	24,705	25,199
Operating lease right-of-use assets	5,595	5,962	5,968
Goodwill	2,254	7,126	7,449
Other assets	807	4,311	4,205
<b>Total assets</b>	<b>51,236</b>	<b>70,581</b>	<b>71,876</b>

<b>Current liabilities:</b>			
Short-term debt	974	0	1,035
Accounts payable	7,787	11,606	13,462
Accrued salaries and related expenses	1,494	2,463	2,426
Sales taxes payable	605	774	848
Deferred revenue	2,116	2,823	3,596
Income taxes payable	55	193	158
Current installments of long-term debt	1,839	1,416	2,447
Current operating lease liabilities	828	828	830
Other accrued expenses	2,677	3,063	3,891
<b>Total current liabilities</b>	<b>18,375</b>	<b>23,166</b>	<b>28,693</b>
Long-term debt, excluding current installments	28,670	35,822	36,604
Long-term operating lease liabilities	5,066	5,356	5,353
Deferred income taxes	706	1,131	909
Other long-term liabilities	1,535	1,807	2,013
<b>Total liabilities</b>	<b>54,352</b>	<b>67,282</b>	<b>73,572</b>
<b>Stockholders' equity:</b>			
Common stock, par value \$0.05; authorized: 10,000 shares; issued: 1,792 shares at January 30, 2022, 1,789 shares at January 31, 2021 and 1,786 shares at February 2, 2020; outstanding: 1,035 shares at January 30, 2022, 1,077 shares at January 31, 2021 and	89	89	90
Paid-in capital	11,001	11,540	12,132
Retained earnings	51,729	58,134	67,580
Accumulated other comprehensive loss	(739)	(671)	(704)
Treasury stock, at cost, 757 shares at January 30, 2022, 712 shares at January 31, 2021 and 709 shares at February 2, 2020	(65,196)	(65,793)	(80,794)
<b>Total stockholders' (deficit) equity</b>	<b>(3,116)</b>	<b>3,299</b>	<b>(1,696)</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 51,236</b>	<b>\$ 70,581</b>	<b>\$ 71,876</b>

# C: Statement of Cash Flows



The Home Depot, Inc.		12 Months Ended								
Consolidated Statements of Cash Flows - USD (\$) \$ in Millions		FYE 2019	FYE 2020	FYE 2021	2022E	2023E	2024E	2025E	2026E	2027E
<b>Cash Flows from Operating Activities:</b>										
Net earnings		\$ 11,242	\$ 12,866	\$ 16,433						
<b>Reconciliation of net earnings to net cash provided by operating activities:</b>										
Depreciation and amortization		2,296	2,519	2,862	3,479	3,459	3,443	3,435	3,401	3,402
as % of CapEx		86%	102%	112%	109%	106%	103%	101%	99%	98%
Stock-based compensation expense		251	310	399						
Changes in receivables, net		(170)	(465)	(435)						
Changes in merchandise inventories		(593)	(1,657)	(5,403)						
Changes in other current assets		(135)	43	(330)						
Changes in accounts payable and accrued expenses		32	5,118	2,401						
Changes in deferred revenue		334	702	775						
Changes in income taxes payable		44	(149)	(51)						
Changes in deferred income taxes		202	(569)	(276)						
Other operating activities		184	121	196						
<b>Net cash provided by operating activities</b>		<b>13,687</b>	<b>18,839</b>	<b>16,571</b>						
<b>Cash Flows from Investing Activities:</b>										
Capital expenditures		(2,678)	(2,463)	(2,566)	(3,191)	(3,263)	(3,343)	(3,401)	(3,435)	(3,471)
as % of Sales		2%	2%	2%	2%	2%	2%	2%	2%	2%
Payments for businesses acquired, net		0	(7,780)	(421)						
Other investing activities		25	73	18						
<b>Net cash used in investing activities</b>		<b>(2,653)</b>	<b>(10,170)</b>	<b>(2,969)</b>						
<b>Cash Flows from Financing Activities:</b>										
Proceeds from (repayments of) short-term debt, net		(365)	(974)	1,035						
Proceeds from long-term debt, net of discounts and premiums		3,420	7,933	2,979						
Repayments of long-term debt		(1,070)	(2,872)	(1,532)						
Repurchases of common stock		(6,965)	(791)	(14,809)						
Proceeds from sales of common stock		280	326	337						
Cash dividends		(5,958)	(6,451)	(6,985)						
Other financing activities		(140)	(154)	(145)						
<b>Net cash used in financing activities</b>		<b>(10,798)</b>	<b>(2,983)</b>	<b>(19,120)</b>						

Change in cash and cash equivalents	236	5,686	(5,518)
Effect of exchange rate changes on cash and cash equivalents	119	76	(34)
<b>Net change in cash and cash equivalents</b>	<b>355</b>	<b>5,762</b>	<b>(5,552)</b>

Cash and cash equivalents at beginning of year	1,778	2,133	7,895
<b>Cash and cash equivalents at end of year</b>	<b>2,133</b>	<b>7,895</b>	<b>2,343</b>

#### Supplemental Disclosures:

Cash paid for income taxes	3,220	4,654	5,504
Cash paid for interest, net of interest capitalized	1,112	1,241	1,269
Non-cash capital expenditures	\$ 136	\$ 274	\$ 421

# D: Revenue Build



The Home Depot, Inc. Consolidated Statements	FYE 2019	1Q2020	2Q2020	3Q2020	4Q2020	FYE 2020	1Q2021	2Q2021	3Q2021	4Q2021	FYE 2021	1Q2022E	2Q2022E	3Q2022E	4Q2022E	2022E
Building Materials	39337	9816	12556	12594	11555	46521	13660	14411	13809	13110	54990	14869	15883	15343	14429	60524
<i>% growth</i>						18%	39%	15%	10%	13%	18%	9%	10%	11%	10%	10%
Décor	37386	9306	11790	11213	11106	43415	11882	13395	12783	12377	50437	12874	14096	13070	13030	53070
<i>% growth</i>						16%	28%	14%	14%	11%	16%	8%	5%	2%	5%	5%
Hardlines	33502	9138	13707	9729	9600	42174	11958	13312	10228	10232	45730	11165	13813	10459	10539	45976
<i>% growth</i>						26%	31%	-3%	5%	7%	8%	-7%	4%	2%	3%	1%
<b>Revenue</b>																
Net sales	\$ 110,225	\$ 28,260	\$ 38,053	\$ 33,536	\$ 32,261	\$ 132,110	\$ 37,500	\$ 41,118	\$ 36,820	\$ 35,719	\$ 151,157	\$ 38,908	\$ 43,792	\$ 38,872	\$ 37,998	\$ 159,570

The Home Depot, Inc. Consolidated Statements	1Q2023E	2Q2023E	3Q2023E	4Q2023E	2023E	1Q2024E	2Q2024E	3Q2024E	4Q2024E	2024E	1Q2025E	2Q2025E	3Q2025E	4Q2025E	2025E	1Q2026E	2Q2026E	3Q2026E	4Q2026E	2026E
Building Materials	14869	15883	16264	15294	62310	14869	15883	17565	16518	64835	14869	15883	18267	17179	66198	14869	15883	18633	17522	66907
<i>% growth</i>	5%	5%	6%	6%	3%	7%	7%	8%	8%	4%	5%	5%	4%	4%	2%	3%	3%	2%	2%	1%
Décor	12874	14096	13724	13551	54245	12874	14096	14135	13958	55063	12874	14096	14559	14376	55906	12874	14096	14850	14664	56484
<i>% growth</i>	7%	6%	5%	4%	2%	3%	3%	3%	3%	2%	3%	3%	3%	3%	2%	3%	3%	2%	2%	1%
Hardlines	11165	13813	10773	10855	46606	11165	13813	11096	11181	47255	11165	13813	11429	11516	47923	11165	13813	11657	11747	48382
<i>% growth</i>	4%	4%	3%	3%	1%	3%	3%	3%	3%	1%	3%	3%	3%	3%	1%	3%	3%	2%	2%	1%
<b>Revenue</b>																				
Net sales	\$ 38,908	\$ 43,792	\$ 40,760	\$ 39,701	\$ 163,160	\$ 38,908	\$ 43,792	\$ 42,796	\$ 41,656	\$ 167,152	\$ 38,908	\$ 43,792	\$ 44,255	\$ 43,071	\$ 170,027	\$ 38,908	\$ 43,792	\$ 45,140	\$ 43,933	\$ 171,773

The Home Depot, Inc. Consolidated Statements	1Q2027E	2Q2027E	3Q2027E	4Q2027E	2027E
Building Materials	14869	15883	19005	17873	67630
<i>% growth</i>	2%	2%	2%	2%	1%
Décor	12874	14096	15147	14957	57075
<i>% growth</i>	2%	2%	2%	2%	1%
Hardlines	11165	13813	11891	11981	48850
<i>% growth</i>	2%	2%	2%	2%	1%
<b>Revenue</b>					
Net sales	\$ 38,908	\$ 43,792	\$ 46,043	\$ 44,811	\$ 173,555

# E: WACC



The Home Depot, Inc. (HD) WACC (USD (\$) \$ in Millions)		Covariance	0.00019
Cost of Equity		Variance	0.00019
Beta	1.02	Beta	1.01691
Risk-Free Rate	3.40%		
Expected Market Return	8.50%		
Risk Premium	5.10%		
<b>Cost of Equity</b>	<b>8.59%</b>		
<b>Cost of Debt</b>			
Interest Coverage Ratio	17.10		
Credit Spread	0.69%		
Risk-Free Rate	3.40%		
Pre-Tax Cost of Debt	4.09%		
Tax Rate	21%		
<b>Cost of Debt</b>	<b>3.23%</b>		
Shares Outstanding	1,019		
Share Price	\$339.53		
Market Capitalization	346,044		
Debt Outstanding	49,710		
<b>Total Capitalization</b>	<b>395,754</b>		
Weight of Equity	87%		
Weight of Debt	14%		
<b>WACC</b>	<b>7.97%</b>		

# F: Net Working Capital



The Home Depot, Inc. (HD)									
Net Working Capital - USD (\$) \$ in Millions									
	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
<b>Current Assets</b>									
Receivables, net	2,106	2,992	3,426	3,426	3,504	3,589	3,651	3,689	3,727
<i>DSO</i>	6.97	8.27	8.27	7.84	7.84	7.84	7.84	7.84	7.84
Merchandise inventories	14,531	16,627	22,068	21,472	21,955	22,492	22,879	23,114	23,354
<i>Inventory Days</i>	48.12	45.94	53.29	49.11	49.11	49.11	49.11	49.11	49.11
Other current assets	1,040	963	1,218	1,318	1,348	1,381	1,405	1,419	1,434
<i>as a % of revenue</i>	0.94%	0.73%	0.81%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%
<b>TOTAL CURRENT ASSETS</b>	<b>17,677</b>	<b>20,582</b>	<b>26,712</b>	<b>26,216</b>	<b>26,806</b>	<b>27,462</b>	<b>27,934</b>	<b>28,221</b>	<b>28,514</b>
<b>Current Liabilities</b>									
Accounts payable	7,787	11,606	13,462	13,203	13,438	13,767	14,004	14,148	14,294
<i>DPO</i>	39.12	48.55	48.98	45.55	45.55	45.55	45.55	45.55	45.55
Accrued salaries and related expenses	1,494	2,463	2,426	2,566	2,624	2,688	2,734	2,763	2,791
<i>as a % of revenue</i>	1.36%	1.86%	1.60%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%
Sales Taxes Payable	605	774	848	902	922	945	961	971	981
<i>as a % of revenue</i>	0.55%	0.59%	0.56%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%
Deferred revenue	2,116	2,823	3,596	3,423	3,500	3,586	3,647	3,685	3,723
<i>as a % of revenue</i>	1.92%	2.14%	2.38%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
Income Taxes Payable	55	193	158	160	191	179	184	190	189
<i>as a % of revenue</i>	0.05%	0.15%	0.10%	0.10%	0.12%	0.11%	0.11%	0.11%	0.11%
Other accrued expenses	2,677	3,063	3,891	3,894	3,982	4,079	4,149	4,192	4,236
<i>as a % of revenue</i>	2.43%	2.32%	2.57%	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,074</b>	<b>19,955</b>	<b>23,375</b>	<b>23,086</b>	<b>23,544</b>	<b>24,120</b>	<b>24,535</b>	<b>24,787</b>	<b>25,044</b>
<b>Net Working Capital</b>	<b>3,603</b>	<b>627</b>	<b>3,337</b>	<b>3,130</b>	<b>3,262</b>	<b>3,342</b>	<b>3,399</b>	<b>3,434</b>	<b>3,470</b>
<b>Change in Net Working Capital</b>	<b>-</b>	<b>(2,976)</b>	<b>2,710</b>	<b>(207)</b>	<b>132</b>	<b>80</b>	<b>57</b>	<b>35</b>	<b>36</b>

# G: Discounted Cash Flow



The Home Depot, Inc. (HD)									
Discounted Cash Flow - USD (\$) \$ in Millions	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
EBIT	15,843	18,278	23,040	25,367	26,106	25,073	25,504	25,766	26,033
Tax Rate	24%	24%	24%	24%	24%	24%	24%	24%	24%
Add: D&A	2,296	2,519	2,862	3,479	3,459	3,443	3,435	3,401	3,402
Less: CapEx	2,678	2,463	2,566	3,191	3,263	3,343	3,401	3,435	3,471
Less: Change in NWC		-2976	2710	-206.859	132.005	79.8081	57.4691	34.9192	35.6176
<b>FCFF</b>	<b>11,722</b>	<b>16,883</b>	<b>15,004</b>	<b>19,696</b>	<b>19,904</b>	<b>19,076</b>	<b>19,360</b>	<b>19,513</b>	<b>19,680</b>
Discount Factor				0.5	1.5	2.5	3.5	4.5	5.5
Present Value of Cash Flows				18,955	17,741	15,747	14,802	13,817	12,907



# H: Gordon Growth and Multiples Method



WACC	7.97%
Terminal Growth Rate	2.50%
Terminal Multiple	22.91x

Gordon Growth Method	
Terminal Cash Flow	19,680
WACC	7.97%
Terminal Growth Rate	2.50%
Present Value of Terminal Value	368,650
Enterprise Value	462,619
Less: Debt	49,710
Add: Cash	2,460
Equity Value	415,369
Diluted Shares Outstanding	1,058
<b>Price Per Share</b>	<b>\$392.60</b>

Multiples Method	
Terminal EBIT	26,033
Terminal Multiple	22.91x
Terminal Value	596,414
Present Value of Terminal Value	391,146
Enterprise Value	485,114
Less: Debt	49,710
Add: Cash	2,460
Equity Value	437,864
Diluted Shares Outstanding	1,019
<b>Price Per Share</b>	<b>\$429.62</b>

		Terminal Growth Rate				
		1.50%	2.00%	2.50%	3.00%	3.50%
WACC	5.97%	466.36	521.85	593.32	688.84	823.01
	6.97%	389.20	425.77	470.52	526.53	598.68
	7.97%	335.89	361.87	<b>392.60</b>	429.51	474.68
	8.97%	296.84	316.30	338.76	364.98	396.00
	9.97%	267.02	282.16	299.33	318.97	341.63

		Terminal Multiple				
		20.91x	21.91x	22.91x	23.91x	24.91x
WACC	5.97%	439.01	457.57	476.14	494.71	513.27
	6.97%	416.93	434.56	452.19	469.83	487.46
	7.97%	396.12	412.87	<b>429.62</b>	446.37	463.13
	8.97%	376.49	392.41	408.33	424.26	440.18
	9.97%	357.95	373.10	388.24	403.39	418.53

# I: Comparable Companies Analysis



The Home Depot, Inc. (HD) Comparable Companies Analysis - in Millions	Statistics					
	Share Price	Shares	Market Cap	Cash	Debt	EV
The Home Depot, Inc. (HD)	\$339.53	1,019	346,044	2,460	49,710	393,294
Amazon.com, Inc. (AMZN)	\$112.05	10200	1,142,910	58,660	164,330	1,248,580
Walmart Inc. (WMT)	\$143.59	2700	387,693	11,590	68,010	444,113
Lowe's Companies, Inc. (LOW)	\$221.99	605	134,237	3,960	38,310	168,587
The Sherwin-Williams Company (SHW)	\$244.69	259	63,409	199	12,510	75,720
Masco Corporation (MAS)	\$56.43	226	12,727	464	3,600	15,863

Comps Target Price			
LTM P/E	\$407.54	33%	\$135.85
LTM EV/EBIT	\$394.65	33%	\$131.55
FWD 2024 EV/EBIT	\$403.59	33%	\$134.53
			<b>\$401.92</b>

The Home Depot, Inc. (HD) Comparable Companies Analysis - in Millions	Last 12 Moths							
	Revenue	EBITDA	EBIT	EPS	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
The Home Depot, Inc. (HD)	157,291	27,092	24,142	\$15.59	2.50x	14.52x	16.29x	21.78x
Amazon.com, Inc. (AMZN)	502,191	50,693	12,115	\$3.30	2.49x	24.63x	103.06x	33.95x
Walmart Inc. (WMT)	600,112	25,681	14,841	\$4.90	0.74x	17.29x	29.92x	29.30x
Lowe's Companies, Inc. (LOW)	95,953	12,330	10,327	\$12.07	1.76x	13.67x	16.32x	18.39x
The Sherwin-Williams Company (SHW)	22,149	3,281	2,964	\$7.10	3.42x	23.08x	25.55x	34.46x
Masco Corporation (MAS)	8,779	1,333	1,333	\$1.70	1.81x	11.90x	11.90x	33.19x

Minimum	0.74x	11.90x	11.90x	18.39x
Q1	1.77x	13.88x	16.30x	23.66x
Median	2.15x	15.91x	20.94x	31.25x
Q3	2.50x	21.63x	28.83x	33.76x
Maximum	3.42x	24.63x	103.06x	34.46x
Average	2.12x	17.52x	33.84x	28.51x

Minimum	\$67.85	\$269.96	\$235.52	\$286.73
Q1	\$226.72	\$322.70	\$339.73	\$78.08
Median	\$284.92	\$376.43	\$449.57	\$153.12
Q3	\$338.98	\$528.67	\$636.56	\$407.54
Maximum	\$481.25	\$608.36	\$2,394.89	\$244.69
Average	\$280.54	\$419.23	\$755.26	\$243.80

The Home Depot, Inc. (HD) Comparable Companies Analysis - in Millions	FWD 2024E							
	Revenue	EBITDA	EBIT	EPS	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
The Home Depot, Inc. (HD)	167,152	28,516	25,073	\$16.87	2.35x	13.79x	15.69x	20.12x
Amazon.com, Inc. (AMZN)	627,814	105,474	34,198	\$3.69	1.99x	11.84x	36.51x	30.37x
Walmart Inc. (WMT)	625,078	37,174	25,769	\$6.57	0.71x	11.95x	17.23x	21.86x
Lowe's Companies, Inc. (LOW)	91,643	14,000	12,317	\$14.02	1.84x	12.04x	13.69x	15.83x
The Sherwin-Williams Company (SHW)	22,627	4,075	3,592	\$10.15	3.35x	18.58x	21.08x	24.11x
Masco Corporation (MAS)	8,167	1,414	1,270	\$3.61	1.94x	11.22x	12.49x	15.63x

Minimum	0.71x	11.22x	12.49x	15.63x
Q1	1.87x	11.87x	14.19x	16.91x
Median	1.97x	11.99x	16.46x	20.99x
Q3	2.26x	13.35x	20.12x	23.54x
Maximum	3.35x	18.58x	36.51x	30.37x
Average	2.03x	13.24x	19.45x	21.32x

Minimum	\$70.16	\$267.52	\$260.94	\$263.76
Q1	\$259.56	\$285.62	\$302.65	\$62.38
Median	\$276.01	\$289.24	\$358.57	\$137.89
Q3	\$324.60	\$327.29	\$448.60	\$330.09
Maximum	\$502.49	\$473.52	\$851.83	\$308.21
Average	\$286.59	\$323.98	\$432.09	\$0.00

# J: Price Calculation



The Home Depot, Inc. (HD)			
Target Share Price Calculation			
Comps	\$401.92	20%	\$80.38
DCF GG	\$392.60	40%	\$157.04
DCF MM	\$429.62	40%	\$171.85
		100%	<b>\$409.27</b>
		Upside	21%

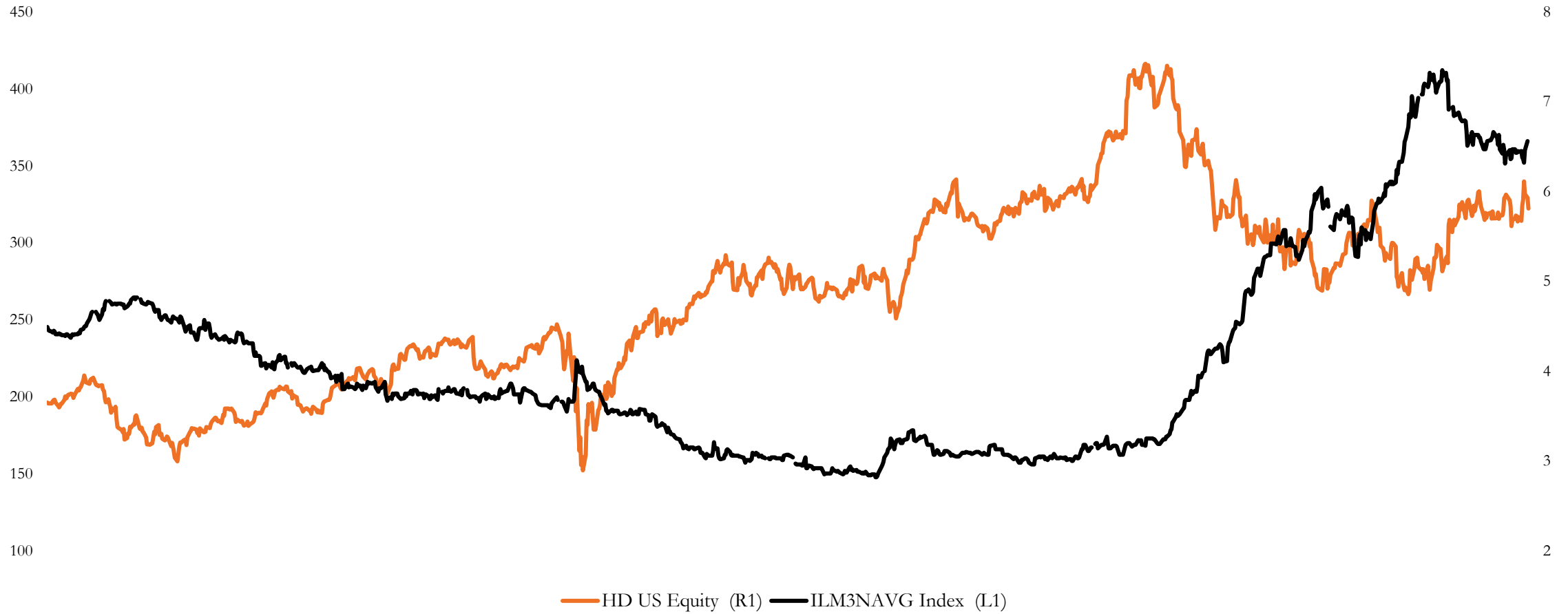
Valuation of HD	Min	Difference	Max
52 Week Range	264.51	107.61	372.12
Analyst Consensus	353.25	31.75	385.00
DCF GG	392.60	36.91	429.51
DCF MM	392.60	53.78	446.37
LTM P/E	343.93	63.60	407.54
LTM EV/EBIT	367.19	54.92	422.11
FWD 2024 EV/EBIT	381.08	45.01	426.09

Analyst Consensus		
Firm	Target Price	Date
Evercore	\$385	2/6/2023
Cowen	\$379	1/11/2023
Wells Fargo	\$350	1/5/2023
Morgan Stanley	\$360	11/16/2022
Jefferies	\$381	11/15/2022
Goldman Sachs	\$351	11/15/2022

# K: HD Stock vs 30-Year Mortgage Rate



## 5Y Historical Stock Price



# L: Houzz Survey on Renovation

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*Houzz, Inc. is the leading platform for home remodeling and design*

**4,000**

Homeowners  
Surveyed

**<1%**

Reported  
Cancelling a  
Project due to  
Economy

**23%**

Plan to Start  
Projects in  
2023

**91%**

Plan to Hire  
Professionals  
for Projects

**67%**

Would Rather  
Update Home  
than Move

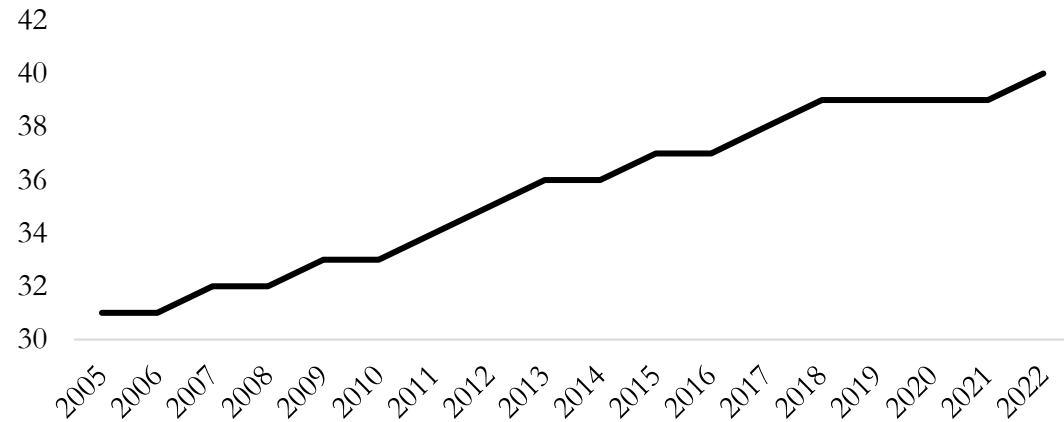
# M: Drivers of Renovation



## Key Statistics

- Home prices reached their peak in mid-2022, with **61%** of home sales ending in bidding wars
- The housing shortage in the US is estimated to be anywhere between **1.5 million – 4.0 million** units which continuously puts upward pressure on prices
- Exterior projects, flooring projects, kitchen and bath projects, and systems projects tend to be most common in homes **20 – 50 years old**
- Slow in new homes being built as a result of high mortgage rate will **lower building material prices**
- Due to record high home prices, purchasers often had to settle, which could drive home improvement

## Average Age of Occupied Homes in US



## US National Home Price Index

