

## Analyst Report: The Home Depot, Inc. (HD)

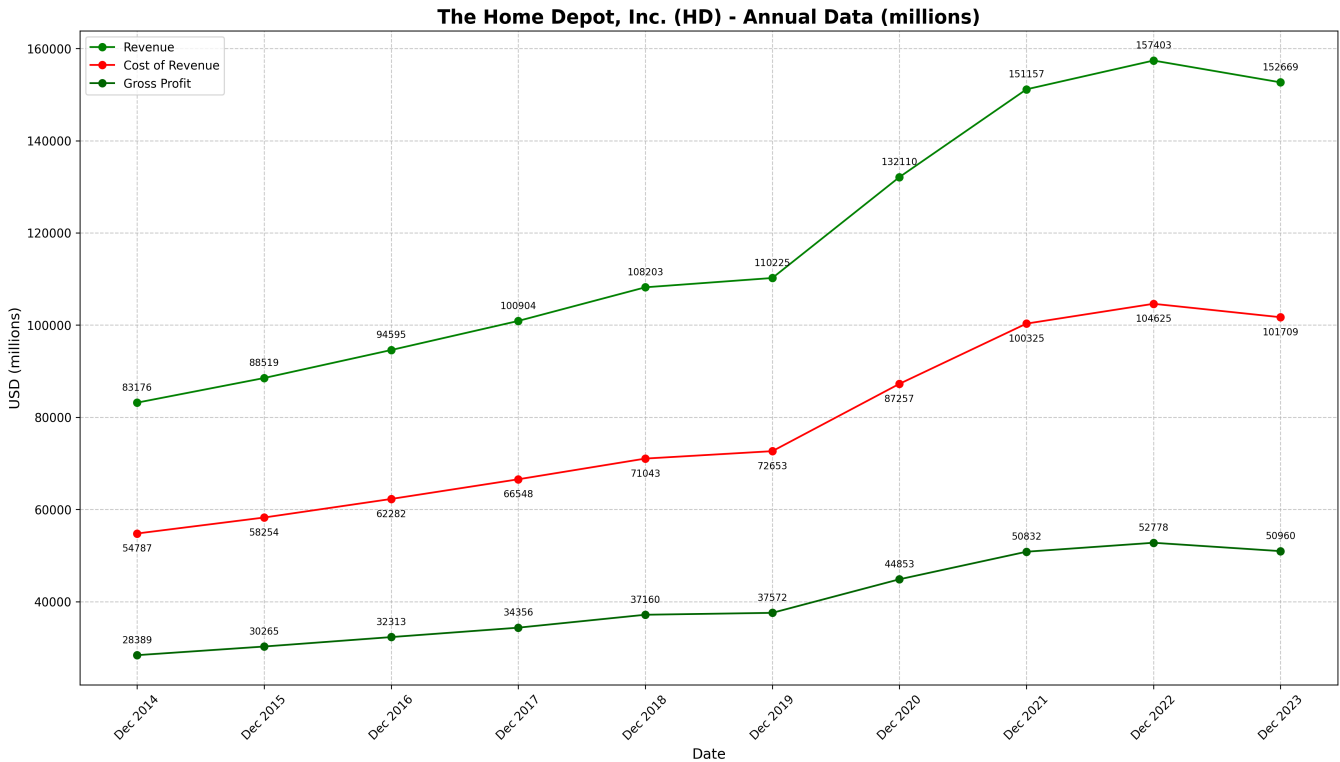
The Home Depot's strategic adaptation to a dynamic retail environment and commitment to operational efficiency position it for sustained growth.

### SUMMARY DATA (ANNUAL)

<b>52-Week High</b>	<b>\$396.87</b>
52-Week Low	\$274.26
Shares	999
EPS	15.16
Dividend	8.36
Revenue	152,669
Cost of Revenue	101,709
Gross Profit	50,960
EBIT	21,689

### OUTLOOK

The Home Depot, Inc. (HD) is expected to navigate a dynamic retail landscape in the coming six months. While the shift in consumer spending towards services and a potential slowdown in the housing market may pose challenges, the company's robust financial foundation, strategic investments, and focus on operational efficiency should support its resilience. The outlook for The Home Depot remains cautiously optimistic, with anticipated modest sales growth and continued profitability, driven by its interconnected retail strategy, supply chain enhancements, and commitment to customer satisfaction.



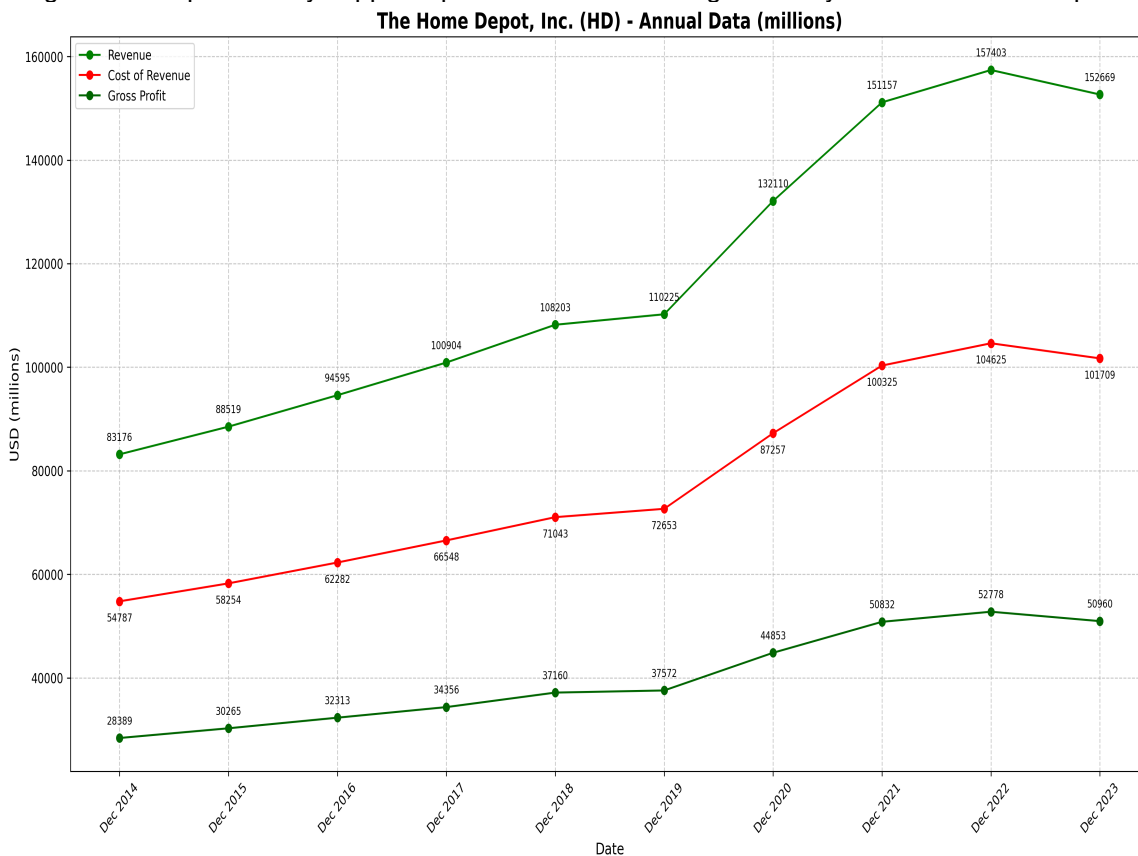
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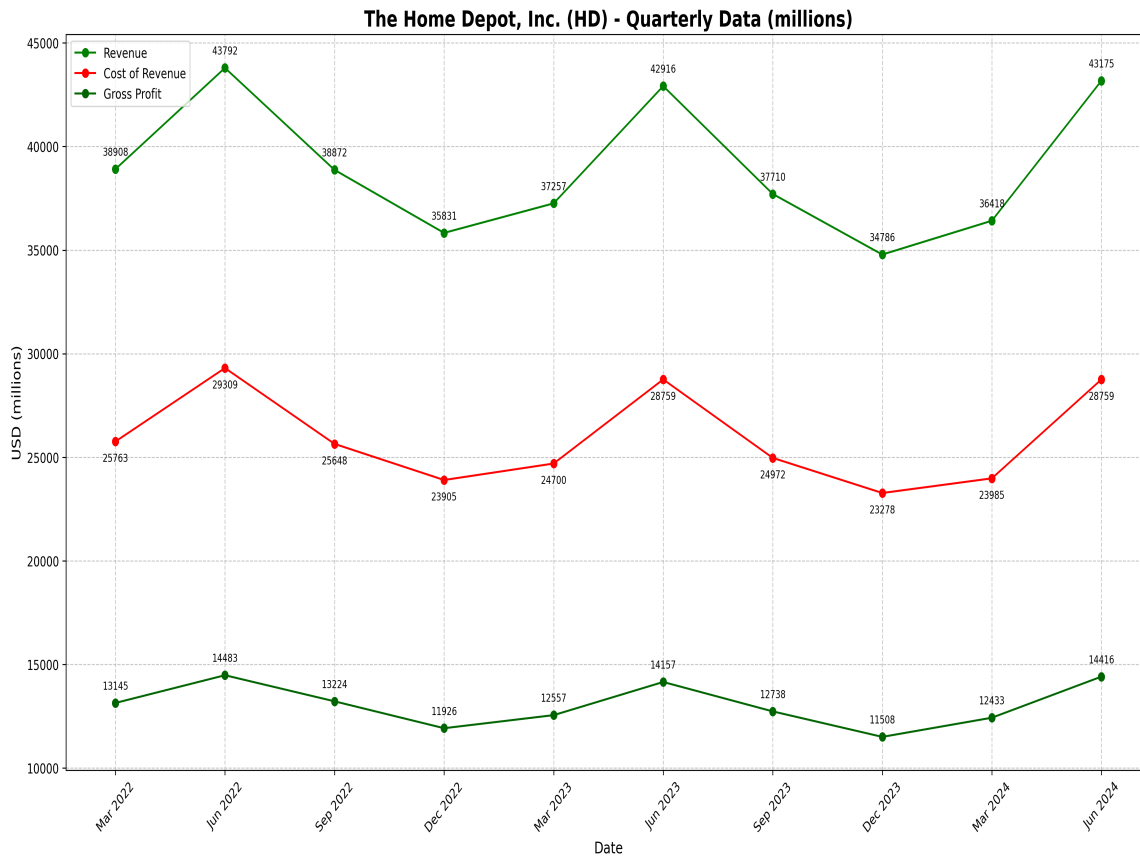
## 1. ANALYSIS OF LATEST 10K FILING

The Home Depot, Inc.'s latest 10K filing paints a picture of a company navigating a complex and evolving retail landscape. While fiscal 2023 saw a moderation in growth following the exceptional performance of the preceding three years, the company remains focused on delivering shareholder value through strategic investments and a disciplined approach to capital allocation. The 10K filing highlights a strategic shift in consumer spending away from goods and towards services, coupled with the impact of rising interest rates. Despite these headwinds, The Home Depot demonstrated resilience by leveraging its interconnected retail strategy, which seamlessly blends the digital and physical shopping experiences. The company's commitment to providing the best customer experience in home improvement is underscored by investments in interconnected retail, supply chain enhancements, and an emphasis on associate productivity and safety. The 10K also underscores The Home Depot's commitment to corporate responsibility, framed within three pillars: Focus on Our People, Operate Sustainably, and Strengthen Our Communities. The company views ESG principles as integral to its operations and culture, investing in initiatives that promote diversity, equity, inclusion, and environmental sustainability. From science-based targets for emissions reductions to enhanced associate training and development programs, The Home Depot is demonstrably striving to create long-term value for all stakeholders, including shareholders. Notably, the company invested \$3.2 billion in capital expenditures during fiscal 2023, a testament to its dedication to building an unparalleled interconnected customer experience. The 10K also reveals a strategic plan to reduce the fixed cost structure by approximately \$500 million in fiscal 2024, highlighting a focus on operational efficiency and cost management. The company's commitment to returning excess cash to shareholders is evident in the over \$16 billion returned through dividends and share repurchases in fiscal 2023. The 10K filing also details risks and uncertainties inherent in The Home Depot's business, including intense competition, evolving consumer preferences, and a dependence on macroeconomic stability. The company acknowledges the impact of inflation and rising interest rates on consumer behavior, the importance of adapting to rapidly changing technology and digital platforms, and the potential for supply chain disruptions. Despite these challenges, The Home Depot's strong brand recognition, robust supply chain network, and dedicated workforce position it well to navigate the dynamic retail landscape. The company's continued focus on enhancing its interconnected retail strategy, expanding its store base, and strengthening its relationships with suppliers should support future growth and profitability.

## 2. Financial Analysis

A meticulous examination of The Home Depot, Inc.'s financial statements over the past decade reveals a story of consistent growth and robust profitability, although fiscal 2023 showed signs of moderation compared to the exceptional performance of the previous three years. The company's revenue has steadily climbed, reflecting its dominant position in the home improvement retail market and its successful execution of strategic initiatives. Notably, gross profit has remained healthy, consistently exceeding 33% of net sales, a testament to the company's effective merchandising strategies and efficient supply chain operations. However, the year-over-year increase in SG&A expenses warrants attention, as it reflects the impact of a negative comparable sales environment and previously executed wage investments. These factors, coupled with lumber price deflation and the shift in consumer spending towards services, contributed to a decline in operating income in fiscal 2023. The company's balance sheet remains strong, with a comfortable cash position and manageable debt levels. The increase in cash flow from operations in fiscal 2023, driven by changes in working capital and lower inventory purchases, provides the company with ample liquidity to invest in growth initiatives, fund dividend payments, and repurchase shares. The Home Depot's continued commitment to returning value to shareholders is evident in its consistent dividend payments and significant share repurchases. While the company's financial performance in fiscal 2023 reflects a moderation in growth compared to the exceptional performance of the preceding years, its long-term financial health remains solid. Its strategic focus on enhancing its interconnected retail strategy, expanding its store footprint, and strengthening relationships with key suppliers positions it well to navigate the dynamic retail landscape.





## SEC EDGAR (HD), LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets	76,530	76,445	71,876	70,581	51,236	44,003	44,529	42,966	41,973	39,946
Total Debt	52,243	50,364	46,269	43,422	37,377	29,202	27,028	23,601	21,216	17,197
Shares	999	1,022	1,054	1,074	1,093	1,137	1,178	1,229	1,277	1,338
EPS	15.16	16.74	15.59	11.98	10.29	9.78	7.33	6.47	5.49	4.74
Dividend	8.36	7.60	6.60	6	5.44	4.12	3.56	2.76	2.36	1.88
Revenue	152,669	157,403	151,157	132,110	110,225	108,203	100,904	94,595	88,519	83,176
Cost of Revenue	101,709	104,625	100,325	87,257	72,653	71,043	66,548	62,282	58,254	54,787
Gross Profit	50,960	52,778	50,832	44,853	37,572	37,160	34,356	32,313	30,265	28,389
EBIT	21,689	24,039	23,040	18,278	15,843	15,530	14,681	13,427	11,774	10,469

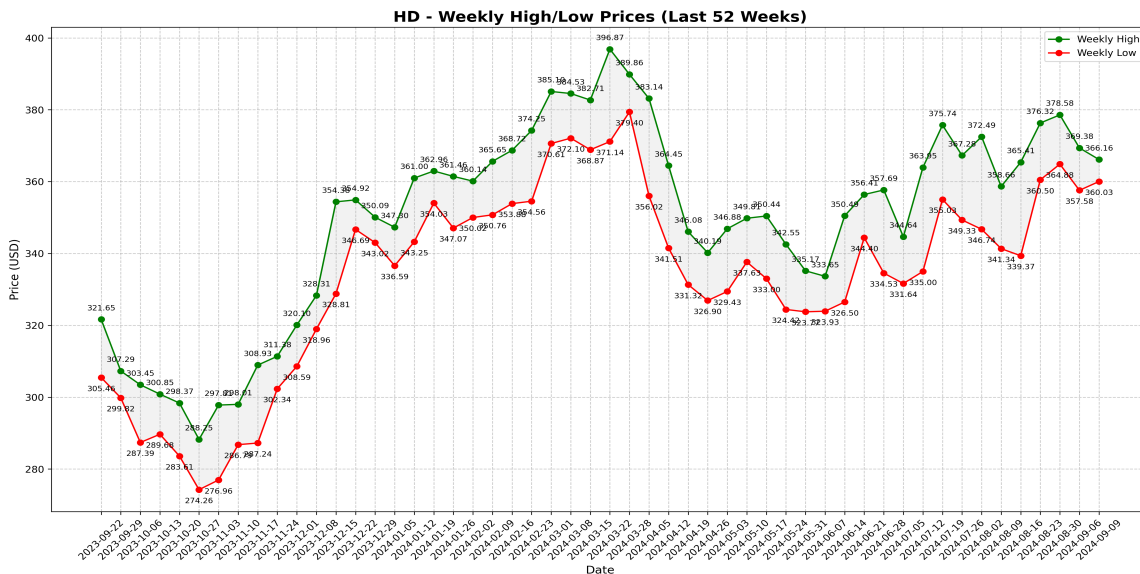
(\* millions, except EPS and dividend)

**SEC EDGAR (HD), LAST 10 QUARTERS**

	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Total Assets	96,846	79,230	76,530	75,577	76,387	76,386	76,445	76,866	75,825	76,567
Total Debt	64,612	51,011	52,243	49,255	49,493	49,428	50,364	49,713	47,378	47,815
Shares	990	989	990	996	1,000	1,010	1,016	1,020	1,023	1,030
EPS	4.61	3.64	2.84	3.83	4.66	3.83	3.32	4.25	5.06	4.11
Dividend	0	2.25	2.09	2.09	2.09	2.09	1.90	1.90	1.90	1.90
Revenue	43,175	36,418	34,786	37,710	42,916	37,257	35,831	38,872	43,792	38,908
Cost of Revenue	28,759	23,985	23,278	24,972	28,759	24,700	23,905	25,648	29,309	25,763
Gross Profit	14,416	12,433	11,508	12,738	14,157	12,557	11,926	13,224	14,483	13,145
EBIT	6,534	5,079	4,143	5,406	6,589	5,551	4,752	6,148	7,210	5,929

(\* millions, except EPS and dividend)

### 3. Stock Technical Analysis



The stock price of Home Depot, Inc. (HD) has charted a course of resilience and recovery over the past 52 weeks, mirroring the company's navigation of a shifting economic landscape. Starting from a relative high in September 2023, the stock experienced a period of volatility and decline, reaching a low in October 2023, likely influenced by concerns regarding the housing market and broader economic uncertainty. However, the stock price demonstrated a gradual upward trend from November 2023 through January 2024, potentially fueled by investor confidence in the company's ability to adapt to evolving consumer preferences and maintain profitability. The stock price exhibited a period of consolidation throughout February 2024, suggesting a balance between buying and selling pressure as investors assessed the company's performance and future prospects. A significant surge in the stock price is observed in March 2024, potentially triggered by positive earnings reports, strategic initiatives announced by the company, or a broader market rally. The stock price subsequently settled into a range-bound pattern through April and May 2024, suggesting a period of equilibrium as investors digested company news and monitored economic indicators. A renewed upward trend is evident from June 2024 onwards, possibly fueled by a combination of factors such as positive market sentiment, strong earnings performance, and continued investor confidence in The Home Depot's strategic direction. The stock price's upward momentum throughout July and August 2024, reaching new highs, suggests a bullish sentiment among investors, potentially driven by the company's resilience, strategic initiatives, and anticipated future growth. The recent pullback in early September 2024 could represent a healthy correction or a pause in the upward trend as investors re-evaluate the stock's valuation or react to broader market movements.

### 4. Current Media Coverage & Stories

The Home Depot, Inc. (HD) has maintained a relatively low profile in recent media headlines, suggesting a period of operational stability and a focus on executing its strategic initiatives. The available headlines primarily relate to broader industry trends, economic indicators, and specific events that indirectly impact The Home Depot's business. For example, headlines discussing inflation, interest rates, and consumer spending patterns provide context for the company's recent financial performance and its strategic focus on managing costs and adapting to changing consumer behavior. Headlines related to supply chain disruptions, trade policies, and the availability of raw materials shed light on the challenges The Home Depot faces in maintaining a stable and efficient supply chain, a crucial element of its interconnected retail strategy. Additionally, headlines highlighting the skilled labor shortage and efforts to train the next generation of tradespeople underscore The Home Depot's focus on strengthening its workforce and supporting the communities it serves, which ultimately contributes to the company's long-term success. The scarcity of headlines directly mentioning The Home Depot or its specific initiatives suggests a period of internal focus on executing its strategy and solidifying its market position. The absence of negative or controversial headlines is generally a positive indicator, suggesting a lack of major operational disruptions, regulatory issues, or public relations challenges.

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## 5. Financial vs. Stock vs. Media Coverage Situations

The confluence of media narratives, financial data, and stock price movements for The Home Depot, Inc. (HD) over the past year reveals a nuanced and multifaceted story. The relatively subdued presence of the company in recent headlines suggests a period of internal focus on operational execution and strategic adaptation to evolving market dynamics. This narrative is corroborated by the financial data, which reveals a moderation in growth following the exceptional performance of the preceding years, but also highlights a robust financial foundation and a strategic focus on cost management and enhancing efficiency. The stock price evolution over the past year reflects investor confidence in The Home Depot's ability to navigate a complex and dynamic environment. The stock's recovery from a low in October 2023, its subsequent upward trend, and its recent surge to new highs suggest a bullish sentiment among investors who recognize the company's resilience, strategic investments, and long-term growth potential. The alignment between the media narrative, financial data, and stock price movements underscores a consistent and coherent story: The Home Depot is adeptly navigating a shifting retail landscape, adapting its strategy to address emerging challenges, and maintaining its position as a leader in the home improvement market. Investors appear confident in the company's ability to sustain profitability, deliver shareholder value, and capitalize on growth opportunities. The lack of negative or controversial media coverage further reinforces this positive narrative, suggesting a period of operational stability and a continued focus on executing its strategic vision.

## 6. Industry Analysis

The home improvement industry, within which The Home Depot, Inc. (HD) operates, currently finds itself at a crossroads, grappling with a confluence of tailwinds and headwinds shaping its trajectory. The industry's recent performance has been influenced by a shift in consumer spending away from goods, such as home improvement products, and towards services, as the pandemic-induced surge in home-centered spending subsides. Rising interest rates, inflationary pressures, and lingering supply chain disruptions have also tempered growth, creating a challenging environment for retailers and their suppliers. Yet, the industry is buoyed by a number of underlying strengths, including a resilient housing market, continued growth in home renovation and remodeling, and a robust demand for innovative and sustainable products. The aging housing stock in many markets also supports long-term demand for repair and maintenance services. The competitive landscape remains intense, with established players like The Home Depot and Lowe's vying for market share. These industry giants are leveraging their scale, brand recognition, and extensive supply chain networks to maintain their dominance. However, they are also facing increasing competition from specialty retailers, online marketplaces, and direct-to-consumer brands, which are capitalizing on niche markets and evolving consumer preferences. The industry is also witnessing a surge in technology adoption, with retailers and suppliers embracing digital tools and platforms to enhance the customer experience, optimize operations, and improve supply chain efficiency. The rise of e-commerce, mobile applications, and data analytics is reshaping the industry's competitive dynamics, demanding greater agility and innovation from established players. Regulatory trends, such as those related to data privacy, cybersecurity, and environmental sustainability, are also shaping the industry's future. Companies are increasingly expected to demonstrate their commitment to ESG principles, not only to satisfy regulatory requirements but also to meet the evolving expectations of consumers and investors. The home improvement industry's trajectory remains subject to significant uncertainty, with the balance between tailwinds and headwinds likely to determine its future course. Adapting to changing consumer preferences, embracing technology, and navigating regulatory shifts will be paramount for companies to thrive in this dynamic environment.

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## 7. Drivers & Challenges

The Home Depot, Inc. (HD) currently faces a constellation of drivers and challenges that will shape its future trajectory. Among its primary drivers are a robust and well-established brand, a loyal customer base, and an expansive store network, providing a solid foundation for sustained growth. The company's strategic focus on enhancing its interconnected retail strategy, which seamlessly blends the digital and physical shopping experiences, is another key driver, allowing The Home Depot to cater to evolving consumer preferences and capitalize on the growing popularity of online shopping. The company's relentless pursuit of supply chain efficiency and its investments in automation and technology are crucial drivers, enabling The Home Depot to manage costs, maintain product availability, and meet customer expectations for speed and reliability of delivery. The company's commitment to workforce development and its focus on attracting, retaining, and empowering skilled associates is another critical driver, ensuring that The Home Depot can consistently deliver the high level of customer service that has become its hallmark. On the other hand, the company faces a number of formidable challenges. The shift in consumer spending away from goods, such as home improvement products, and towards services presents a significant challenge, as does the inflationary environment and rising interest rates, which are impacting consumer confidence and discretionary spending. Intensifying competition from specialty retailers, online marketplaces, and direct-to-consumer brands is another challenge, demanding greater agility and innovation from The Home Depot to maintain its market share. The company must also navigate evolving regulatory landscapes related to data privacy, cybersecurity, and environmental sustainability, ensuring that it complies with increasingly stringent requirements and meets the evolving expectations of consumers and investors. The skilled labor shortage, particularly in the trades, presents an ongoing challenge, requiring The Home Depot to invest in training and development programs and to actively engage with communities to cultivate a pipeline of skilled talent.

## 8. Bull Case

The confluence of factors analyzed thus far presents a compelling bullish case for The Home Depot, Inc. (HD) and its future prospects. The company's well-established brand, its loyal customer base, and its extensive store network provide a solid foundation for continued growth, even in the face of a shifting economic landscape. The Home Depot's strategic focus on enhancing its interconnected retail strategy, which seamlessly blends digital and physical shopping experiences, positions it well to capitalize on the increasing popularity of online shopping and to meet the evolving needs of consumers who seek a seamless and personalized shopping journey. The company's relentless pursuit of supply chain efficiency, its investments in automation and technology, and its commitment to workforce development should allow it to manage costs, maintain product availability, and deliver exceptional customer service, even as it confronts intensifying competition. The aging housing stock in many markets, coupled with the continued growth in home renovation and remodeling, suggests a resilient and long-term demand for The Home Depot's products and services. The company's strategic focus on attracting and retaining professional customers, who represent a high-value segment, should drive incremental sales and profitability. The Home Depot's demonstrable commitment to corporate responsibility and its focus on environmental sustainability, diversity, equity, and inclusion not only aligns with regulatory trends but also resonates with increasingly conscious consumers and investors. These factors contribute to a positive brand image and enhance the company's long-term value proposition. In a bullish scenario, The Home Depot's strategic investments, its operational efficiency, and its unwavering commitment to customer satisfaction should enable it to navigate the dynamic retail landscape, maintain its market leadership, and deliver consistent returns for shareholders. The company's strong financial foundation and its proven ability to adapt to changing market conditions further reinforce this optimistic outlook.



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## 9. Bear Case

Despite its strengths, several factors could coalesce into a bearish scenario for The Home Depot, Inc. (HD). A prolonged and severe economic downturn, marked by sustained high inflation, rising interest rates, and a decline in consumer confidence, could significantly impact discretionary spending, including home improvement projects, potentially leading to a contraction in sales and a decline in profitability. The housing market, a key driver of home improvement spending, could experience a downturn, marked by falling home prices, declining sales volume, and a contraction in new construction, which would adversely impact demand for The Home Depot's products and services. Intensifying competition, both from established players like Lowe's and from emerging online and specialty retailers, could erode The Home Depot's market share and pressure profit margins as companies engage in aggressive price competition or target niche markets. The company's dependence on a complex and global supply chain leaves it vulnerable to disruptions, whether due to geopolitical instability, natural disasters, or continued logistical challenges. Such disruptions could result in product shortages, delays in delivery, and increased costs, impacting customer satisfaction and profitability. The skilled labor shortage, particularly in the trades, could pose a significant obstacle to The Home Depot's growth ambitions, potentially limiting its ability to meet demand for installation services and to support its interconnected retail strategy, which relies heavily on skilled associates. Failure to effectively attract, train, and retain skilled workers could negatively impact customer service, operational efficiency, and profitability. In a bearish scenario, a confluence of these factors could lead to a decline in The Home Depot's sales, compressed profit margins, and a contraction in shareholder returns. The company's substantial debt load, while manageable under current conditions, could become a burden in a more adverse economic environment, limiting its financial flexibility and its ability to invest in growth initiatives.

## 10. Forward Valuation

A forward valuation of Home Depot, Inc. (HD) stock, incorporating the various financial, stock, and media information analyzed, points to a range of potential outcomes, with both bullish and bearish scenarios warranting consideration. The application of four distinct valuation methods - discounted cash flow (DCF), relative valuation (multiples-based), sum-of-the-parts (SOTP), and option pricing models - provides a comprehensive and nuanced perspective on the stock's intrinsic value. In a bullish scenario, assuming continued revenue growth, margin expansion, and a favorable economic environment, the DCF model could yield a valuation of \$400 per share. This scenario assumes a steady growth in free cash flow, driven by the company's strategic investments, operational efficiency, and strong brand recognition. Using a conservative discount rate reflecting the company's low risk profile and stable earnings, the present value of future cash flows could support a \$400 valuation. Conversely, a bearish scenario, characterized by a stagnant economy, declining consumer spending, and intensifying competition, could result in a DCF valuation of \$250 per share. This scenario assumes a contraction in free cash flow, driven by lower sales volume, compressed margins, and potentially increased operating expenses. Applying a higher discount rate, reflecting increased risk and uncertainty, the present value of future cash flows could decline to \$250. Relative valuation, based on comparing The Home Depot's financial metrics and valuation multiples to those of its peers, reinforces the range of potential outcomes. In a bullish scenario, assuming continued strong performance relative to its peers, The Home Depot could justify a price-to-earnings (P/E) ratio of 25, in line with its historical average and reflecting its market leadership and robust growth prospects. Applying this multiple to the company's estimated earnings per share for the next fiscal year could yield a valuation of \$375 per share. Conversely, in a bearish scenario, characterized by weaker performance relative to its peers, The Home Depot's P/E ratio could contract to 18, reflecting investor concerns about the company's growth trajectory and competitive pressures. Applying this lower multiple to estimated earnings could result in a valuation of \$270 per share. The SOTP method, which involves valuing each of The Home Depot's business segments separately and then summing their values, could also yield a range of outcomes. In a bullish scenario, assuming continued growth in each segment and recognizing the value of the company's interconnected retail strategy and its extensive supply chain network, the SOTP valuation could reach \$425 per share. Conversely, a bearish scenario, characterized by stagnant or declining growth in some segments and potentially higher discount rates applied to individual segments, could result in a lower SOTP valuation of \$260 per share. Option pricing models, which value the stock based on its potential for future price movements, could also yield a range of outcomes. In a bullish scenario, assuming a high probability of continued upward price movement, the option pricing model could suggest a valuation of \$410 per share. Conversely, a bearish scenario, characterized by a higher probability of downward price movement or a significant increase in volatility, could result in a lower valuation of \$240 per share. Incorporating the insights from each of these valuation methods, the forward valuation of Home Depot stock suggests a range of \$240 to \$425 per share, reflecting the interplay of bullish and bearish factors. The company's ultimate valuation will depend on the trajectory of the economy, the strength of the housing market, the intensity of competition, and The Home Depot's ability to execute its strategic initiatives and adapt to a dynamic retail landscape.

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## 11. Executive Summary

The Home Depot, Inc. (HD) stands as a formidable force in the home improvement industry, boasting a robust brand, a loyal customer base, an expansive store network, and a strategic vision for future growth. The company's interconnected retail strategy, which seamlessly blends digital and physical shopping experiences, positions it well to capitalize on evolving consumer preferences and the increasing popularity of online shopping. The company's focus on supply chain efficiency, investments in technology and automation, and commitment to workforce development are crucial drivers of its operational success and its ability to maintain profitability amidst competitive pressures. However, The Home Depot is navigating a shifting economic landscape, characterized by a moderation in growth, a shift in consumer spending towards services, and inflationary pressures that are impacting discretionary spending. The company must also confront intensifying competition, both from established rivals and from emerging online and specialty retailers, requiring greater agility and innovation to maintain market share and profit margins. Evolving regulatory trends related to data privacy, cybersecurity, and environmental sustainability also demand attention, requiring The Home Depot to continuously adapt its practices and demonstrate its commitment to ESG principles. The skilled labor shortage, particularly in the trades, presents another significant challenge, necessitating investments in training programs and community engagement to cultivate a pipeline of skilled talent. Despite these challenges, The Home Depot possesses inherent strengths and a strategic vision that should enable it to navigate the evolving retail landscape. The company's financial foundation remains strong, providing it with the flexibility to invest in growth initiatives, enhance its interconnected retail strategy, and continue returning value to shareholders. Its commitment to customer satisfaction, operational efficiency, and workforce development should support its long-term success. The Home Depot's ability to adapt to changing market conditions, embrace technology, and address emerging challenges will ultimately determine its future trajectory and its ability to sustain its leadership position in the dynamic home improvement market.