

ModernGraham Valuation

Company Name:

Home Depot Inc

Company Ticker HD

Date of Analysis

2/22/2017



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$179,103,724,346	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.34	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	216.67%	Pass
6. Moderate PEmg Ratio	PEmg < 20	27.44	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	31.69	Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.34	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	4.54	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass
	Score		

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.28
MG Growth Estimate	15.00%
MG Value	\$203.38
MG Value based on 3% Growth	\$76.60
MG Value based on 0% Growth	\$44.90
Market Implied Growth Rate	9.47%

MG Opinion

Current Price	\$144.98
% of Intrinsic Value	71.28%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$15.89
Graham Number	\$26.06
PEmg	27.44
Current Ratio	1.34
PB Ratio	31.69
Current Dividend	\$2.66
Dividend Yield	1.83%
Number of Consecutive Years of Dividend Growth	7

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History			EPSmg History		
Next Fiscal Year Estimate		\$6.55	Next Fiscal Year Estimate		\$5.28
Jan2016		\$5.46	Jan2016		\$4.39
Jan2015		\$4.71	Jan2015		\$3.64
Jan2014		\$3.76	Jan2014		\$2.92
Jan2013		\$3.00	Jan2013		\$2.36
Jan2012		\$2.47	Jan2012		\$2.01
Jan2011		\$2.01	Jan2011		\$1.86
Jan2010		\$1.57	Jan2010		\$1.91
Jan2009		\$1.34	Jan2009		\$2.15
Jan2008		\$2.37	Jan2008		\$2.50
Jan2007		\$2.79	Jan2007		\$2.46
Jan2006		\$2.72	Jan2006		\$2.18
Jan2005		\$2.26	Jan2005		\$1.81
Jan2004		\$1.88	Jan2004		\$1.51
Jan2003		\$1.56	Jan2003		\$1.26
Jan2002		\$1.29	Jan2002		\$1.05
Jan2001		\$1.10	Jan2001		\$0.87
Jan2000		\$1.00	Balance Sheet Information 10/1/2016		
Jan1999		\$0.71	Total Current Assets		\$19,348,000,000
Jan1998		\$0.52	Total Current Liabilities		\$14,431,000,000
Jan1997		\$0.43	Long-Term Debt		\$22,338,000,000
			Total Assets		\$44,502,000,000
			Intangible Assets		\$2,095,000,000
			Total Liabilities		\$38,880,000,000
			Shares Outstanding (Diluted Average)		1,229,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor. The author held a long position in HD at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company

- [Home Depot Inc. Valuation – November 2015 Update \\$HD](#)
- [30 Companies in the Spotlight This Week – 11/15/14](#)
- [Home Depot Inc. Annual Valuation – 2014 \\$HD](#)
- [ModernGraham Valuation: Home Depot \(HD\)](#)

Other ModernGraham posts about related companies

- [Quanta Services Inc Valuation – August 2016 \\$PWR](#)
- [Jacobs Engineering Group Inc Valuation – August 2016 \\$JEC](#)
- [PPG Industries Inc Valuation – August 2016 \\$PPG](#)
- [D.R. Horton Inc Valuation – August 2016 \\$DHI](#)
- [Martin Marietta Materials Inc Valuation – August 2016 \\$MLM](#)
- [Fluor Corporation Valuation – August 2016 \\$FLR](#)
- [Vulcan Materials Co Valuation – July 2016 \\$VMC](#)
- [PulteGroup Inc Valuation – July 2016 \\$PHM](#)
- [Sherwin-Williams Co Valuation – July 2016 \\$SHW](#)
- [Cummins Inc Valuation – July 2016 \\$CMI](#)