

ModernGraham Valuation

Company Name:

Home Depot Inc

Company Ticker HD

Date of Analysis

2/24/2018



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	\$219,945,507,169	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.17	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	268.93%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	26.39	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	151.17	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	1.17	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	8.86	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	\$7.14
MG Growth Estimate	14.44%
MG Value	\$266.73
MG Value based on 3% Growth	\$103.47
MG Value based on 0% Growth	\$60.66
Market Implied Growth Rate	8.95%

MG Opinion

Current Price	\$188.35
% of Intrinsic Value	70.61%
Opinion	Undervalued
MG Grade	D+

Stage 3: Information for Further Research

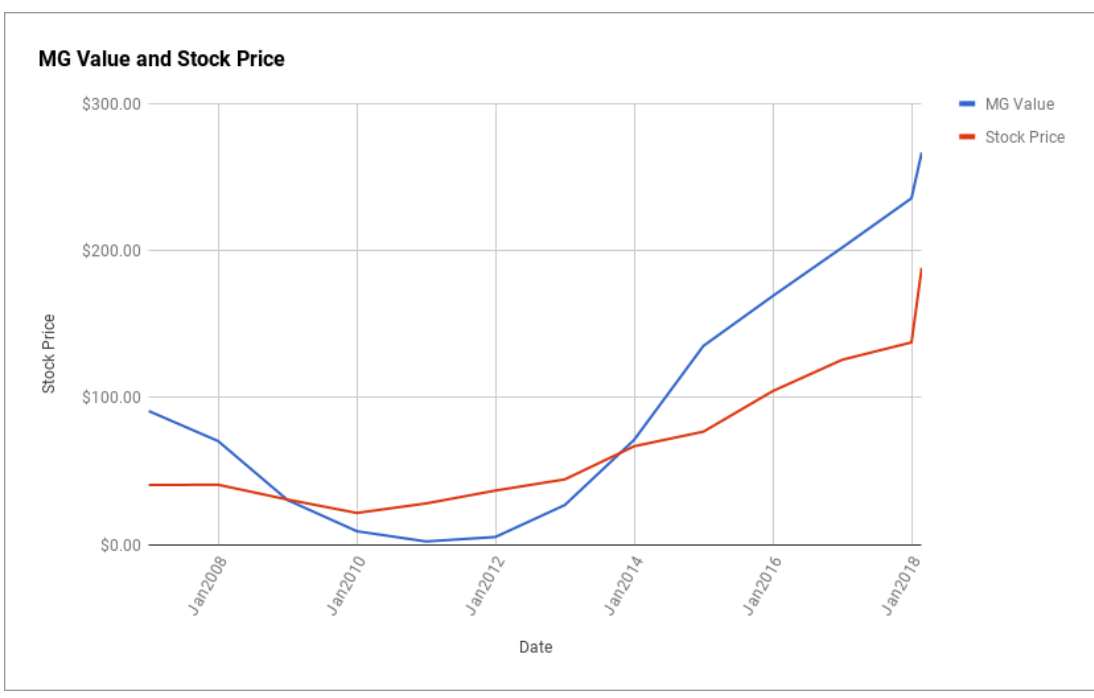
Net Current Asset Value (NCAV)	-\$20.69
Graham Number	\$15.40
PEmg	26.39
Current Ratio	1.17
PB Ratio	151.17
Current Dividend	\$3.56
Dividend Yield	1.89%
Number of Consecutive Years of Dividend Growth	8

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$8.58	Next Fiscal Year Estimate	\$7.14
Jan2018	\$7.29	Jan2018	\$6.12
Jan2017	\$6.45	Jan2017	\$5.25
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	Balance Sheet Information 1/1/2018	
Jan2001	\$1.10	Total Current Assets	\$18,933,000,000
Jan2000	\$1.00	Total Current Liabilities	\$16,194,000,000
Jan1999	\$0.71	Long-Term Debt	\$24,267,000,000
		Total Assets	\$44,529,000,000
		Intangible Assets	\$2,275,000,000
		Total Liabilities	\$43,075,000,000
		Shares Outstanding (Diluted Average)	1,167,000,000





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 – February 2017 \\$HD](#)
- [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

- [Caterpillar Inc Valuation – February 2018 \\$CAT](#)
- [Eagle Materials Inc Valuation – Initial Coverage \\$EXP](#)
- [Louisiana-Pacific Corp Valuation – Initial Coverage \\$LPX](#)
- [Lowe's Companies Inc Valuation – March 2017 \\$LOW](#)
- [Cavco Industries Inc Valuation – Initial Coverage \\$CVCO](#)
- [LGI Homes Inc Valuation – Initial Coverage \\$LGIH](#)
- [Fortune Brands Home & Security Inc Valuation – Initial Coverage \\$FBHS](#)
- [Acuity Brands Inc Valuation – Initial Coverage \\$AYI](#)
- [Stantec Inc Valuation – Initial Coverage \\$TSE:STN](#)
- [Home Depot Inc Valuation – February 2017 \\$HD](#)