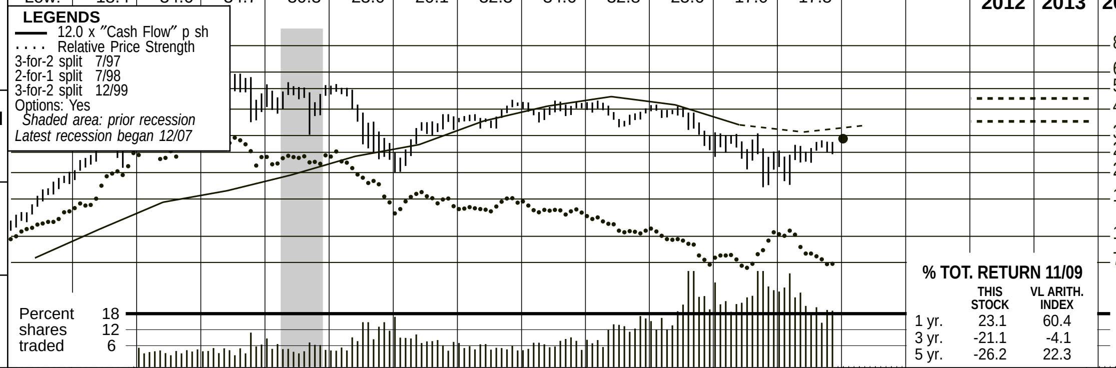
# HOME DEPOT NYSE-HD

| RECENT PRICE | 28.96 | P/E RATIO | 18.2 (Trailing: 18.2) (Median: 18.0) | RELATIVE P/E RATIO | 1.08 | DIV'D YLD | 3.1% | VALUE LINE |
|---|---|---|---|---|---|---|---|---|

**TIMELINESS** 3 Raised 9/26/08
**SAFETY** 1 Raised 10/5/07
**TECHNICAL** 3 Raised 11/13/09
**BETA** .95 (1.00 = Market)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 41.3 | 69.8 | 70.0 | 53.7 | 52.6 | 37.9 | 44.3 | 44.0 | 43.9 | 42.0 | 31.1 | 29.4 |
| Low: | 18.4 | 34.6 | 34.7 | 30.3 | 23.0 | 20.1 | 32.3 | 34.6 | 32.8 | 25.6 | 17.0 | 17.5 |

**Target Price Range**
2012 | 2013 | 2014




### 2012-14 PROJECTIONS

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 45 | (+55%) | 14% |
| Low | 35 | (+20%) | 8% |

### Insider Decisions

| | F | M | A | M | J | J | A | S | O |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| to Sell | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

### Institutional Decisions

| | 1Q2009 | 2Q2009 | 3Q2009 |
|---|---|---|---|
| to Buy | 372 | 470 | 456 |
| to Sell | 551 | 448 | 458 |
| Hld's(000) | 1197939 | 1191221 | 1188733 |

### % TOT. RETURN 11/09

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 23.1 | 60.4 |
| 3 yr. | -21.1 | -4.1 |
| 5 yr. | -26.2 | 22.3 |

| 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | © VALUE LINE PUB., INC. | 12-14 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 4.57 | 6.12 | 7.21 | 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 | *38.50* | *39.55* | Sales per sh A | *46.65* |
| .27 | .36 | .43 | .54 | .66 | .90 | 1.21 | 1.37 | 1.62 | 1.99 | 2.27 | 2.93 | 3.44 | 3.82 | 3.50 | 2.81 | *2.60* | *2.80* | "Cash Flow" per sh | *3.70* |
| .22 | .29 | .34 | .43 | .52 | .71 | 1.00 | 1.10 | 1.29 | 1.56 | 1.88 | 2.26 | 2.72 | 2.79 | 2.27 | 1.78 | *1.55* | *1.70* | Earnings per sh A B | *2.60* |
| .02 | .03 | .04 | .05 | .06 | .08 | .11 | .16 | .17 | .21 | .26 | .33 | .40 | .68 | .90 | .90 | *.90* | *.90* | Div'ds Decl'd per sh C ■ | *1.05* |
| 1.39 | 1.69 | 2.32 | 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 | *11.50* | *12.05* | Book Value per sh E | *15.30* |
| 2022.1 | 2040.1 | 2147.0 | 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 | *1697.0* | *1690.0* | Common Shs Outst'g D | *1650.0* |
| 42.3 | 33.0 | 27.9 | 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 | *Bold figures are* | | Avg Ann'l P/E Ratio | *16.0* |
| 2.50 | 2.16 | 1.87 | 1.66 | 1.78 | 2.09 | 2.61 | 3.03 | 1.82 | 1.23 | .95 | .88 | .78 | .74 | .82 | .86 | *Value Line* | | Relative P/E Ratio | *1.05* |
| .3% | .3% | .4% | .4% | .4% | .3% | .2% | .3% | .4% | .6% | .8% | .9% | 1.0% | 1.8% | 2.6% | 3.5% | *estimates* | | Avg Ann'l Div'd Yield | *2.6%* |

**CAPITAL STRUCTURE as of 11/1/09**

**Total Debt** $10425 mill. **Due in 5 Yrs** $5090 mill.
**LT Debt** $8656 mill. **LT Interest** $600 mill.
(Total interest coverage: 8.6x. LT int earned: 9.7x)
(31% of Cap'l)

**Leases, Uncapitalized** Annual rentals $804.0 mill.
**No Defined Benefit Pension Plan**

**Pfd Stock** None

**Common Stock** 1,700,411,887 shs.
**as of 11/27/09**

**MARKET CAP: $49.2 billion (Large Cap)**

| 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | | 12-14 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 38434 | 45738 | 53553 | 58247 | 64816 | 73094 | 81511 | 90837 | 77349 | 71288 | *65350* | *66800* | Sales ($mill) A | *77000* |
| 30.9% | 31.2% | 31.6% | 32.6% | 33.4% | 35.2% | 33.5% | 32.8% | 33.6% | 33.7% | *33.5%* | *33.6%* | Gross Margin | *33.5%* |
| 11.1% | 10.5% | 10.6% | 11.6% | 12.2% | 12.6% | 13.3% | 12.6% | 11.6% | 8.6% | *9.7%* | *10.5%* | Operating Margin | *12.0%* |
| 913 | 1134 | 1333 | 1532 | 1707 | 1890 | 2042 | 2147 | 2234 | 2274 | *2245* | *2265* | Number of Stores | *2500* |
| 2320 | 2581 | 3044 | 3664 | 4304 | 5001 | 5838 | 5761 | 4210 | 2982 | *2630* | *2875* | Net Profit ($mill) | *4300* |
| 39.0% | 38.8% | 38.6% | 37.6% | 37.1% | 36.8% | 37.1% | 38.1% | 36.4% | 37.4% | *35.0%* | *36.0%* | Income Tax Rate | *36.0%* |
| 6.0% | 5.6% | 5.7% | 6.3% | 6.6% | 6.8% | 7.2% | 6.3% | 5.4% | 4.2% | *4.0%* | *4.3%* | Net Profit Margin | *5.6%* |
| 2734 | 3392 | 3860 | 3882 | 3774 | 3661 | 2445 | 5069 | 1968 | 2209 | *3200* | *2500* | Working Cap'l ($mill) | *2000* |
| 750 | 1545 | 1250 | 1321 | 856 | 2148 | 2672 | 11643 | 11383 | 9667 | *8000* | *8000* | Long-Term Debt ($mill) | *10000* |
| 12341 | 15004 | 18082 | 19802 | 22407 | 24158 | 26909 | 25030 | 17714 | 17777 | *19550* | *20400* | Shr. Equity ($mill) | *25250* |
| 18.0% | 15.9% | 16.0% | 17.6% | 18.7% | 19.1% | 20.0% | 16.2% | 15.5% | 11.9% | *9.5%* | *10.0%* | Return on Total Cap'l | *12.0%* |
| 18.8% | 17.2% | 16.8% | 18.5% | 19.2% | 20.7% | 21.7% | 23.0% | 23.8% | 16.8% | *13.5%* | *14.0%* | Return on Shr. Equity | *17.0%* |
| 16.7% | 14.7% | 14.6% | 16.0% | 16.6% | 17.7% | 18.5% | 17.4% | 14.1% | 8.2% | *6.5%* | *6.5%* | Retained to Com Eq | *10.0%* |
| 11% | 14% | 13% | 13% | 14% | 14% | 15% | 24% | 41% | 51% | *58%* | *53%* | All Div'ds to Net Prof | *40%* |

**CURRENT POSITION ($MILL.)**

| | 2007 | 2008 | 11/1/09 |
|---|---|---|---|
| Cash Assets | 457 | 525 | 2725 |
| Receivable | 1259 | 972 | 1188 |
| Inventory (LIFO) | 11731 | 10673 | 10817 |
| Other | 1227 | 1192 | 1169 |
| Current Assets | 14674 | 13362 | 15899 |
| Accts Payable | 5732 | 4822 | 5829 |
| Debt Due | 2047 | 1767 | 1769 |
| Other | 4927 | 4564 | 4857 |
| Current Liab. | 12706 | 11153 | 12455 |

**ANNUAL RATES**

| of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '06-'08 to '12-'14 |
|---|---|---|---|
| Sales | 15.0% | 12.0% | 5% |
| "Cash Flow" | 17.0% | 11.5% | 1.5% |
| Earnings | 15.0% | 7.5% | 2.0% |
| Dividends | 29.0% | 31.0% | 4.0% |
| Book Value | 13.0% | 5.5% | 5.5% |

**QUARTERLY SALES ($ mill.) A**

| Fiscal Year Begins | Apr.Per | Jul.Per | Oct.Per | Jan.Per | Full Fiscal Year |
|---|---|---|---|---|---|
| 2006 | 21461 | 26026 | 23085 | 20265 | 90837 |
| 2007 | 18545 | 22184 | 18961 | 17659 | 77349 |
| 2008 | 17907 | 20990 | 17784 | 14607 | 71288 |
| 2009 | 15954 | 19071 | 16361 | *13964* | *65350* |
| 2010 | *16200* | *19350* | *16800* | *14450* | *66800* |

**EARNINGS PER SHARE A B**

| Fiscal Year Begins | Apr.Per | Jul.Per | Oct.Per | Jan.Per | Full Fiscal Year |
|---|---|---|---|---|---|
| 2006 | .70 | .90 | .73 | .46 | 2.79 |
| 2007 | .48 | .77 | .59 | .40 | 2.27 |
| 2008 | .41 | .71 | .45 | .19 | 1.78 |
| 2009 | .35 | .64 | .41 | *.15* | *1.55* |
| 2010 | *.37* | *.66* | *.44* | *.23* | *1.70* |

**QUARTERLY DIVIDENDS PAID C ■**

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2006 | .15 | .15 | .15 | .225 | .68 |
| 2007 | .225 | .225 | .225 | .225 | .90 |
| 2008 | .225 | .225 | .225 | .225 | .90 |
| 2009 | .225 | .225 | .225 | .225 | |
| 2010 | | | | | |

**BUSINESS:** The Home Depot, Inc. operates a chain of retail building supply/home improvement "warehouse" stores across the U.S. and in Canada, China, and Mexico. Acquired Hughes Supply in 1/06. Average store size: 108,000 sq. ft. indoor plus 22,000 sq. ft. garden center; items stocked: 45,000. Product lines include building materials, lumber, floor/wall coverings; plumbing, heating, and electrical; paint & furniture; seasonal and specialty items; hardware & tools. '08 depreciation rate: 4.9%. Has about 322,000 employees. Officers & directors own 2.4% of common shares (4/09 Proxy). Chairman, President & CEO: Frank Blake. Incorporated: DE. Address: 2455 Paces Ferry Road N.W., Atlanta, GA 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

**The Home Depot delivered better-than-expected third-quarter results (ended November 1st).** Earnings were $0.41 a share, 9% below the year-earlier tally but $0.06 higher than our forecast. Sales were slightly above our estimate, but gross margin expansion and SG&A spending restraint delivered the upside to our outlook.

**We think that the company will earn approximately $0.15 a share in the January period.** Comparable-store sales will probably decline in the mid-single digits in the fourth quarter, much like the October interim (down 6.9%). However, SG&A expenses will likely increase sequentially. Consequently, we look for the bottom line to contract roughly 20% year to year in the fiscal fourth quarter.

**Fiscal 2010 will likely bring additional improvements.** Although pressure on the housing and home-improvement markets will probably persist through much of the year, recent signs of stabilization, especially in some of the nation's hardest-hit regions (Florida, Arizona, California, etc.), augur well for The Home Depot. Government incentives to increase energy efficiency through home improvements (and a possible "cash for caulkers" program) may boost demand for the company's products, as well. Still, we look for large-ticket discretionary purchases (appliances, remodeling projects, etc.) to remain fairly sluggish next year. All told, we think that HD will earn approximately $1.70 a share in fiscal 2010, a 10% rebound from our fiscal 2009 forecast.

**Conservative investors may want to consider these neutrally ranked shares.** The housing and remodeling markets may well have reached their nadirs in 2009, and we believe that conditions will gradually improve over the coming quarters. Combined with stock repurchases, we look for share net to rebound at a healthy pace over the pull to 2012-2014, leaving the issue with worthwhile risk-adjusted recovery potential three to five years hence. Indeed, risk-conscious investors should note the stock's excellent Safety rank (1), as well as the company's stellar Financial Strength rating (A++). The above-average dividend yield sweetens the pot.

*Matthew E. Spencer* *January 1, 2010*

(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, $0.03. Total may not sum due to rounding. Next earnings report due late February.
(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 2/1/09: $1,134 mill. $0.67/share.

| | |
|---|---|
| Company's Financial Strength | A++ |
| Stock's Price Stability | 85 |
| Price Growth Persistence | 5 |
| Earnings Predictability | 80 |