

Date: 3/24/15Analyst Names: John Tupper & Michael Retallick**CIF Stock Recommendation Report (Spring 2015)**Company Name and Ticker: The Home Depot Inc. (HD)**Section (A) Investment Summary**

Recommendation Buy: Yes Buy at: \$112.00		Target Price: \$135.00	Stop-Loss Price: \$95.00
Sector: Consumer Discretionary	Industry: Home Improvement Stores	Market Cap (in Billions): 150.52B	# of Shrs. O/S (in Millions): 1.31B
Current Price: \$115.25	52 WK Hi: \$117.92	52 WK Low: \$74.61	EBO Valuation: \$72.28
Morningstar (MS) Fair Value Est.: \$104.00	MS FV Uncertainty: Medium	MS Consider Buying: \$72.80	MS Consider Selling: \$140.40
EPS (TTM): 4.72	EPS (FY1): 5.22	EPS (FY2): 5.99	MS Star Rating: 2-Star
Next Fiscal Yr. End "Year": "Month": February, 2016	Last Fiscal Qtr. End: Less Than 8 WK: Yes	If Less Than 8 WK, next Earnings Ann. Date: May 15, 2015	Analyst Consensus Recommendation: 1.95 – Moderate Buy
Forward P/E: 19.3	Mean LT Growth: 14.14%	PEG: 1.51	Beta: 1.05
% Inst. Ownership: 73.60	Inst. Ownership- Net Buy: Y N	Short Interest Ratio: 1.90	Short as % of Float: 0.80%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	24.65	18.89	18.85
P/S (TTM)	1.84	0.76	N/A
P/B (MRQ)	16.44	3.53	3.18
P/CF (TTM)	18.85	11.11	N/A
Dividend Yield	2.03	1.69	2.27
Total Debt/Equity (MRQ)	184.48	63.11	70.91
Net Profit Margin (TTM)	7.63	4.15	11.11
ROA (TTM)	15.77	5.35	9.42
ROE (TTM)	58.09	14.47	20.20

<u>Investment Thesis</u>	<u>Summary</u>
<p><u>Pros</u></p> <ul style="list-style-type: none"> • As home prices and disposable income begin to rise consumers will begin putting money into their homes again. • Very few meaningful competitors in either brick and mortar or e-commerce channels • Stock has climbed more than 50% over the past year due to housing market return and analysts expect the stock to continue to rise. • Strong dividend payback in the future due to the company's capital allocation plan • Recent focus on distribution and merchandising should improve productivity and increase domestic market share as housing market improves • Limited exposure of foreign exchange (with exception of Canadian Dollar) • Holds low cost advantage due to wide economic moat • One of two companies in the market 	<p><u>Company Profile:</u> Home Depot is the world's largest home-improvement specialty retailer, operating nearly 2,300 warehouse-format stores throughout the United States, Canada, and Mexico. The company's stores offer products and services for home construction, renovation, remodeling, and maintenance. The firm is based in Atlanta and employs more than 300,000 people. We estimate that Home Depot captures nearly 20% of domestic share of the home-improvement market, when adjusting census estimates for market size.</p>
<p><u>Cons</u></p> <ul style="list-style-type: none"> • Weak consumer spending in economic downturns directly hurts Home Depot's sales and performance • Current supply chain improvements face implementation risk which in turn could affect profitability if competitors surpass Home Depots capabilities • Limited domestic store growth may drive increased competitive pricing pressures between Home Depot and Lowes resulting in limited expansions • Stock seems to be overvalued. 	<p><u>Fundamental Valuation:</u> Using the EBO valuation model, The Home Depot Inc. has an implied fundamental value of \$72.26/Share. This indicates that the Home Depot is overvalued based on the data input in the valuation spreadsheet. Increasing the industry ROE to a more comparable number to Home Depot would give a more accurate valuation that doesn't show the company as overvalued as it does in this section.</p>
	<p><u>Relative Valuation:</u> We found that the stock was overvalued, however these figures should be taken with a grain of salt since the competition is weak and the companies we choose are not direct competitors.</p>
	<p><u>Revenue and Earnings Estimates:</u> Home depot has gone 3 for 5 in beating estimates. When they did miss it was by small margins and when they beat they did by a good amount.</p>
	<p><u>Analyst Recommendations:</u> The Home Depot has a mean rating of 1.95 which means an overall analyst recommendation of moderate buy. There were 9 Buys, 9 Outperforms, and 13 Holds</p>
	<p><u>Institutional Ownership:</u> Institutional ownership of The Home Depot is 73.60%. The top holder is Capital World Investors with 102.135M shares (7.75% ownership). The top 10 holders hold 31.86% of shares.</p>

	<p><u>Short Interest:</u> The average short interest of The Home Depot is slightly lower than their biggest competitor Lowes and much lower than the next closest competitor, Whirlpool. The short ratio was lowered after the most recent successful earnings release.</p>
	<p><u>Stock Price Chart:</u> The stock price charts indicate that the stock is currently experiencing an upward bullish momentum. The consistent upward movement since the end of the recession and current growth of the housing market indicates consumer confidence and expected growth in the coming years.</p>

Section (B) Company Profile

(B-1) Profile

The Home Depot, Inc. (HD) was incorporated on June 29, 1978. It is a home improvement retailer with stores that sell a wide assortment of building materials, home improvement products and lawn and garden products and provide a number of services. The Home Depot stores average approximately 104,000 square feet of enclosed space, with approximately 24,000 additional square feet of outside garden area. The Home Depot stores can be divided into 3 main groups of customer services: do-it-yourself (DIY) customers, do-it-for-me (DIFM) customers. These two segments make up about 65% of Home Depot sales. The third category is professional customers which make up about 35% of sales. As of February 2, 2014 (fiscal 2013), the Company was operating 2,263 The Home Depot stores, which included 1,977 stores in the United States, including the Commonwealth of Puerto Rico and the territories of the United States Virgin Islands and Guam; 180 stores in Canada, and 106 stores in Mexico. The Company also offers over 700,000 products through its Home Depot and Home Decorators Collection websites.

The first category of DIY customers are usually home owners who purchase products and complete their own projects and installations without the help of a third party installer. Employees assist these customers with specific product and installation questions both in its stores and through online resources and other media designed to provide product and project knowledge. The second category is the DIFM customers. These customers are usually home owners who purchase materials themselves and hire third parties to complete the project or installation. The Home Depot's stores offers a variety of installation services targeted at DIFM customers who select and purchase products and installation of those products from it in the store. The Company's installation programs include various services and products, such as carpeting, flooring, cabinets, countertops and water heaters. In addition, it provides professional installation of a number of products sold through its in-home sales programs, such as roofing, siding, windows, furnaces and central air systems. The last category is Professional customers. These are primarily professional remodelers, general contractors, repairmen, small business owners and tradesmen. The Company offers a variety of special programs to these customers, including delivery and will-call services, dedicated staff and expanded credit programs.

The Home Depot assists all three categories of customers to finance their projects by offering private label credit products in its stores through third-party credit providers. Private label credit card sales accounted for approximately 23% of sales in fiscal 2013. During fiscal 2013, the Company offered a number of private label brands across a variety of their departments including: Husky hand tools and tool storage; Defiant door locks; Everbilt hardware fasteners;

Hampton Bay lighting and fans; Vigoro lawn care products; RIDGID and Ryobi power tools; Glacier Bay bath fixtures; HDX tools, hardware, storage and cleaning products, and CE Tech audio-visual accessories. During the past year, The Home Depot introduced a number of products to its customers, which included LED light bulbs from Cree; Soft Spring Carpet from Mohawk; customizable patio furniture from Plantation Patterns Patio; Wi-Fi-enabled thermostats from Nest and Honeywell; Behr Marquee exterior paint with a one coat coverage guarantee and ability to repel rain within 60 minutes of application, and Double Duty Sawzall Blades from Milwaukee.

The Home Depot conducts a variety of international business dealings through the Company's Store Support Center. It maintains a global sourcing program that helps obtain products directly from manufacturers around the world. The Home Depot has three sourcing offices located in the Chinese cities of Shanghai, Shenzhen and Dalian, as well as sourcing offices in Gurgaon, India; Rome, Italy; Monterrey, Mexico and Toronto, Canada. The Company has an "Eco Options" program where it has created product categories that allow consumers to identify environmentally preferred product selections in its stores. The "Eco Options" program includes over 7,700 products that meet specifications for energy efficiency, water conservation, healthy home, clean air and sustainable forestry. Through this program, it sells products, such as ENERGY STAR refrigerators, dishwashers, compact fluorescent light (CFL) bulbs, EcoSmart LED light bulbs, programmable thermostats, water heaters and other products.

The Home Depot's main competitors are Lowes, Ace Hardware, Do-It-Best, and a variety of category specific companies such as Sherwin Williams and Whirlpool. Due to two of Home Depot's biggest competitors (Ace and Do It Best) being private, for this stock analysis we will be using Lowes and some category specific companies to make comparisons with.

(B-2) Revenue and Earnings History

REVENUE & EARNINGS PER SHARE

		Revenue*	Earnings Per Share**
FY 2015	Feb '15	19,162.00	1.049
	Nov	20,516.00	1.152
	Aug	23,811.00	1.515
	May	19,687.00	1.002
FY 2014	Feb '14	17,696.00	0.728
	Nov	19,470.00	0.950
	Aug	22,522.00	1.244
	May	19,124.00	0.830
FY 2013	Feb '13	18,246.00	0.685
	Oct	18,130.00	0.632
	Jul	20,570.00	1.013
	Apr	17,808.00	0.676

Fiscal 2013 – Annual Revenue: 74,754 Annual Earnings Per Share: 3.006

Fiscal 2014 – Annual Revenue: 78,812 Annual Earnings Per Share: 3.752

Fiscal 2015 – Annual Revenue: 83,176 Annual Earnings Per Share: 4.718

1) What are your observations on revenue? Was there a notable up- or down-trend, year-over-year? Was there seasonable pattern?

Revenue has been consistently growing in the past 3 years. Between 2013 and 2014, revenues grew by about \$4 million and between 2014 and 2015 it grew by about \$5 million. This shows that Home depot has seen relatively consistent growth. It is also important to note that the

home improvement industry is very cyclical in seasons so it explains the earnings differences between quarters.

2) Likewise, what are your observations on earnings?

EPS in the past 3 years have consistently been increasing. EPS between 2013 and 2014 grew about \$0.75 and between 2014 and 2015, it grew by about \$1.00. Quarterly EPS maintained relatively consistent except for third quarter EPS for each year which can be considered the busiest quarter in the home improvement industry. Each year saw slight growth in each quarter but maintained fairly similar relative to the quarters in each year.

(B-3) Most Recent Quarterly Earnings Release

1) When was the company's most recent earning release?

February 24, 2015

2) In that earnings report, was reported revenue a (1) beat, (2) match, or (3) miss from consensus estimate?

Revenue was a beat by a 2.48% surprise from consensus estimate

3) Likewise, was reported earnings a (1) beat, (2) match, or (3) miss from consensus estimate?

EPS was also a beat from consensus estimate

4) What did the management attribute the beat/miss to?

Management attributed the earnings and EPS beat to the improved job market in recent years that in turn increased home renovations. Management also stated that the growth in EPS is in line with the company's capital allocation plan. The company has been aggressively returning excess capital to shareholders through buybacks and dividends.

5) Did the management provide guidance about their current quarter and their outlook for the year? What were the key points of the guidance?

The company plans for another growth next quarter which is considered their busiest quarter. Home Depot plans on hiring more than 80,000 positions for spring quarter to prepare for a boost in business. The company has a positive outlook for the coming year but warns that it expects currency headwinds to impact 2015 earnings by about \$0.06 per share.

6) How did the stock react to that earnings release?

The day before the earnings release, Home depot stock rose 4.24% from \$112.99 to \$117.50. Once the earnings report was released on February 24th, the stock dropped about .39% to \$116.31. this is a minor change given the positive news of the release. The stock continued to slowly drop for the next couple days until it stayed within a range of between \$113-\$116 in the following weeks.

7) Other observations worth noting?

The home depot management expects a strong growth for the coming year with the rise of home improvement in the US. If currency exchange rates remain where they currently are, this will cause a negative impact to the 2015 fiscal net sales growth of approximately \$1 Billion as well as a negative impact on diluted earnings per share around \$0.06 per share.

Book value / share:	<u>9.074</u>
Dividend payout ratio:	<u>39.63%</u>
Next fiscal year end:	<u>2015</u>
Current fiscal month:	<u>1</u>
Target ROE:	<u>10.13%</u>

*** Indicate next to the number if you made an adjustment to the target ROE estimate. Justify at the bottom of this panel how you derive the adjusted value, if any ***

Discount rate

Input for discount rate:	<u>7.21%</u>
Risk-free rate:	<u>7%</u>
Beta:	<u>1.05</u>
Market risk premium:	<u>3.13%</u>

Output

Above normal growth period chosen: 7

EBO valuation (Implied price from the spreadsheet): \$72.28

1) Comment on the fundamental value obtained in relation to the stock's current price and its 52-week price range.

The 52-week price range is \$74.61-\$117.92. Based on our fundamental valuation and the 52-week range, the implied fundamental value is not within the 52-week price range. We believe that this valuation is relatively low considering the growing economy and increasing household excess cash which in turn increases sales in the consumer discretionary sector.

2) What might be "soft spots" of the inputs? And why?

Some soft spots for this valuation are the dividend payout ratio and the long term growth rate. The dividend payout seems somewhat high relative to competing companies in the industry and we had a difficult time finding a consistent rate so we had to use an average found across multiple financial platforms. Another soft spot was the long term growth rate. Similar to the dividend payout ratio, there was no consistent number for the long term growth rate so we had to find an average across multiple financial platforms. Another soft spot is the target ROE for the industry average is much lower than Home Depots ROE. Since there is such a big spread by Home Depot's and the industry's numbers, it gives us relatively lower valuations since the industry as a whole performs under how the Home Depot is performing individually.

Sensitivity Analysis

1) Explain the input values used in sensitivity analysis. Compare the fundamental values obtained here in relation to the value from the base case

The numbers used in the sensitivity analysis were mainly gathered from analyst observations and predictions found on multiple financial websites including Morningstar, Yahoo Finance, and Reuters. The main numbers changed for the sensitivity analysis are different ROEs, discount rates, and growth rates. The biggest changes we saw as a result of the sensitivity analyses are growth in the expected yields. The majority of the time the expected yield increased when numbers were changed with the exception of a few value changes. In relation to the values from the base case, it seems that the valuation shows Home Depot overvalued partially because it is performing at a higher rate than the industry it's in as a whole. This makes it look like the company is overvalued since the other companies in the industry are so much lower than it is.

2) Other observations worth noting

It is important to note that some of the numbers used are industry averages. There were multiple variances between financial reporting websites and can create skewed data outputs if outlier numbers are included in averages.

EBO valuation would be (you can include more than one scenario in each of the following):

 \$57.78 if changing above normal growth period to 5 Years

 \$75.45 if changing growth rate from mean (consensus) to the highest estimate
 16%

 \$69.56 if changing growth rate from mean (consensus) to the lowest estimate
 13.20%

 \$60.85 if changing discount rate to 8.26% (E(r_m) = 8.00%)

 \$154.90 if changing target ROE to 28.84% (HD 5 Yr. Avg. ROE)

Section (D) Relative Valuation

HD													
Mean FY2													
Ticker	Name	Mkt Cap	Current Price	Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM	
1	LOW	Lowes	\$72,413.59	\$ 72.27	\$ 3.31	21.83	18.20%	1.20	7.17	14.33%	0.50	1.29	16.9
2	LL	Lumber Liquidators	\$ 1,370.52	\$ 29.59	\$ 2.63	11.25	18.60%	0.60	4.37	20.59%	0.21	1.33	16.96
3	WHR	Whirlpool Corp	\$ 16,703.70	\$ 199.33	\$ 17.10	11.66	23.50%	0.50	3.42	13.20%	0.26	0.84	13.34
4	AWI	Armstrong World Ind.	\$ 3,033.81	\$ 56.46	\$ 2.86	19.74	18.17%	1.09	4.67	10.20%	0.46	1.21	13.11
	HD	The Home Depot	\$ 153,276.50	\$ 113.06	\$ 5.22	21.66	14.52%	1.49	16.44	28.84%	0.57	1.84	18.85
Implied Price based on:					P/E (forward)	PEG	P/B	Value	P/S	P/CF			
1	LOW	Lowes			\$113.97	\$90.93	\$49.31	\$99.24	\$79.26	\$101.36			
2	LL	Lumber Liquidators			\$58.73	\$45.85	\$30.05	\$42.09	\$81.72	\$101.72			
3	WHR	Whirlpool Corp			\$60.85	\$37.60	\$23.52	\$51.39	\$51.61	\$80.01			
4	AWI	Armstrong World Ind.			\$103.05	\$82.35	\$32.12	\$90.81	\$74.35	\$78.63			
		High			\$113.97	\$90.93	\$49.31	\$99.24	\$81.72	\$101.72			
		Low			\$58.73	\$37.60	\$23.52	\$42.09	\$51.61	\$78.63			
		Mean			\$84.15	\$64.18	\$33.75	\$70.88	\$71.74	\$90.43			

Note: Your discussions in this section should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM). If you made a decision excluding a competitor from calculation of median of a particular valuation multiple, you must justify your decision (i.e., reasons why you feel strongly that particular valuation multiple from a particular competitor is not a good indicator).

We spent considerable time selecting which stock we wanted to compare against, some of the smaller options we thought of originally, companies like true value and Do it Best were private companies. Sherwin Williams was missing significant amount of data. We chose lumber liquidators, whirlpool and Armstrong because they are all competitors to items held within our store. Lowes is the ultimate competitor a lot of the things they do are similar to what Home depot does.

- 1) Discuss various valuation multiples of your stock and its peers. Comment if any of these stocks have multiples far off from the others and explain whether it makes sense.**

When looking at these multiple one has to j

The majority of the figures we got were in consensus with what we have founded in other areas. The stock seems to be fairly overvalued, only in the P/E without main competitor Lowes were we equally valued in all other aspects we were roughly \$20 to \$30 dollars overvalued. This is very concerning, however our competitors that are used in this

evaluation aren't the best metrics however they are the best we could find since our other main competition is private.

- 2) Discuss the various implied prices of your stock derived from peers' ("Comparables") multiples. Compare these implied prices to current price and 52-week high and low. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain whether it makes sense.**

As stated before we found that our stock is roughly 20 to 30 dollars overvalued in most cases if not more. But it must be kept in mind that these companies are not the best examples for metrics for competition. Home Depot is bigger than all 4 of the other combined and is part of the reasons the numbers are flawed.

- 3) Compare your findings with comments from analysts from *Morningstar Direct* and other online resources.**

Analysts agree with what we have said they feel that The Home Depot is a good company, they really like the way the company is run and have gotten behind the CEO and believe he will bring positive growth to the company. They have sustainably raised their fair value estimate from \$88 to \$104. They feel the company has significant bargaining power and provides value and customer loyalty by passing along savings.

- 4) Other observations worth noting?**

It's important to note that above all home depot is a sizeable company and there's a reason for that. They are double the size of Lowes, which has been around longer than them. They are in a cyclical market that's only in a year or two of its process, as home buyers and those who have neglected home maintenance due to economic reasons. There is an underlying reason that the stock is going up and that's because they are selling product. They value the customer service Home Depot provides and overall believe it's a good stock to own.

Section (E) Revenue and Earnings Estimates

(E-1)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Jan-15	18,699.00	19,162.00	463.04	2.48
Quarter Ending Oct-14	20,466.60	20,516.00	49.39	0.24
Quarter Ending Jul-14	23,607.00	23,811.00	204.04	0.86
Quarter Ending Apr-14	19,951.50	19,687.00	264.49	1.33
Quarter Ending Feb-14	17,908.70	17,696.00	212.69	1.19
Earnings (per share)				
Quarter Ending Oct-14	1.13	1.11	0.02	1.96
Quarter Ending Jul-14	1.45	1.52	0.07	4.99
Quarter Ending Apr-14	0.99	0.96	0.03	2.54
Quarter Ending Feb-14	0.71	0.73	0.02	2.48
Quarter Ending Oct-13	0.90	0.95	0.05	6.11

Review recent trends in company's reported revenue and earnings, and discuss whether (1) the company has a pattern of "surprising" the market with numbers different from analysts' estimates; (2) Were the surprises positive(actual greater than estimate) or negative (actual less than estimate)? (3) Were the surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the "surprises.

NOTE: Reuters does not put the sign on the surprise. You need to put a "-" sign when it is a negative surprise.

As you can see above Home Depot out of the last 5 quarters Home depot has beat sales estimates in the 3 most recent quarters. In addition they have been have beat analysts' expectations 3 out of 5 quarters, missing Oct-14 and Apr-14. Although they missed expectations two out of five times in sales estimates, it was by a fairly small margin and was made up in later quarters, for a net gain. Earnings were also missed twice, however overall they have had a net gain over these five data points.

(E-2)

CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Apr-15	22	20,793.20	21,130.20	20,474.00	20,899.50
Quarter Ending Jul-15	21	24,641.50	24,846.50	24,389.80	24,278.30
Year Ending Jan-15	27	82,700.90	82,946.20	82,558.60	--
Year Ending Jan-16	26	86,797.10	87,519.00	86,067.00	86,431.70
Year Ending Jan-17	25	90,492.20	92,417.00	89,053.00	89,563.80
Earnings (per share)					
Quarter Ending Apr-15	26	1.14	1.19	1.11	1.14
Quarter Ending Jul-15	25	1.70	1.74	1.66	1.63
Year Ending Jan-15	29	4.49	4.55	4.33	--
Year Ending Jan-16	29	5.22	5.38	5.12	5.14
Year Ending Jan-17	28	5.99	6.25	5.75	5.76
LT Growth Rate (%)	5	14.52	16.00	13.20	16.43

(E-2) Copy/paste “Consensus Estimates Analysis” Table from <http://www.reuters.com/>, “Analysts” tab (include both revenue and earnings)

Review the range and the consensus of analysts’ estimates.

(1) Calculate the % difference of the “high” estimate from the consensus (mean);

Rev

Apr-15 -.74% Jul-15 -.83% Jan-15 -.30% Jan-16 -.83%

Earnings

Apr-15 4.29% Jul-15 2.23% Jan-15 1.33% Jan-16 3.02% Jan-17 4.25% LT growth Rate 9.70%

(2) Calculate the % (negative) difference of the “low” estimate from the consensus;

Rev

Apr-15 2.41% Jul-15 1.027% Jan-15 .17% Jan-16 .844%

Earnings

Apr-15 -2.63% Jul-15 -2.35% Jan-15 -3.56% Jan-16 -1.92%

(3) Are the divergent more notable for the current or out- quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. It that roughly the same as the number of analysts providing revenue and earnings estimates?

When looking at the data it seem that it's more for the current and FY2 in both revenue and earnings. Yes a very similar amount of analysts are following both.

(E-3)

CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Apr-15	20,793.20	20,803.60	20,754.80	20,755.30	20,899.50
Quarter Ending Jul-15	24,641.50	24,654.50	24,718.10	24,719.70	24,278.30
Year Ending Jan-15	82,700.90	--	--	--	--
Year Ending Jan-16	86,797.10	86,905.80	86,437.80	86,410.70	86,431.70
Year Ending Jan-17	90,492.20	90,447.00	89,777.80	89,708.20	89,563.80
Earnings (per share)					
Quarter Ending Apr-15	1.14	1.15	1.15	1.15	1.14
Quarter Ending Jul-15	1.70	1.70	1.72	1.72	1.63
Year Ending Jan-15	4.49	--	--	--	--
Year Ending Jan-16	5.22	5.23	5.23	5.23	5.14
Year Ending Jan-17	5.99	5.99	5.99	5.98	5.76

In Terms of Revenue there seems to be no real trend it seems that overall they are slightly downward in Q1 and Q2 and up overall in FY1 and FY2. Battles are not won in a day so I find the FY to hold a heavier weight than the quarters. Earnings on the other hand are slightly down or flat in Q1 and Q2. And slightly down/flat in FY1 and FY2. Overall they are slightly down or stagnant.

(E-4)

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Apr-15	0	1	10	6
Quarter Ending Jul-15	0	1	5	12
Year Ending Jan-15	--	--	--	--
Year Ending Jan-16	0	1	19	4
Year Ending Jan-17	0	1	15	2
Earnings				
Quarter Ending Apr-15	0	1	6	10
Quarter Ending Jul-15	0	1	2	13
Year Ending Jan-15	--	--	--	--
Year Ending Jan-16	0	1	10	13
Year Ending Jan-17	0	0	5	13

(E-4) Copy/paste the “*Estimates Revisions Summary*” Table from <http://www.reuters.com/>, “*Analysts*” tab (include both revenue and earnings)

Review the number of analysts revising up or down their estimates (both revenue and earnings) in the last and last four weeks. (1) Note whether there are more up or down revisions;

There was 1 down grade in every category in both revenue and earnings except for year ending 2017 in earnings there was a 0. Revenue was overall trending towards up, looking at the chart above one can see that up dominated in the last 4 week expect the category of Q2 where it was 5-12 trending towards down. Earnings however was quite the opposite, in every round down was selected with significant favor, only in FY1 was there a close spread 10-13.

(2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?

It looks as if it is trending towards down, there isn't much of a change, it rather continues to follow the trend of down in nearly every category.

(E-5) "Consensus Earnings Revisions" from CNBC

Go to <http://www.cnbc.com/>, "news", "earnings", "calendar", "consensus revisions". Look for whether your stock had consensus earnings revision today. Copy/paste the information, if any, to the following table. Go back one day, copy/paste the information if there was consensus earnings revision. Repeat the process back one month. Add rows to the table if needed.

Revision Date	Revision Type	Revision Up/Down	Current	Previous	% Change	# of Analysts Reporting
Most recent revision date						
3/2	Up	0/1	\$1.30	\$1.29	+0.85	5
2/27	Up	0/1	\$1.29	\$1.28	+0.55	3
2/25	Down	0/1	\$1.28	\$1.31	-2.29	2
Earliest revision						

date in the last month						
------------------------	--	--	--	--	--	--

- 1) Review revisions day by day, and comment on (1) whether they tend to be clustered, and (2) if clustered, were they near earnings reporting date?

Yes these all are fairly clustered, all after the earnings release date.

- 2) Were there any greater than 10% consensus revisions? What is the maximum % consensus revision? No , -2.29
- 3) Observe stock price chart, how did the stock trade around dates of greater than 10% consensus revisions?n/a
- 4) Other observations worth noting? n/a

Section (F) Analysts' Recommendations

(F-1) Reuters Most Recent Three Months Analysts Recommendations

Copy/paste the "Analyst Recommendations and Revisions" Table from

<http://www.reuters.com/> , "Analysts" tab. NOTE: Make sure you copy the entire table including "Mean Rating" at the bottom of the table.

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	9	9	9	9
(2) OUTPERFORM	9	10	10	10
(3) HOLD	13	13	14	13
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.13	2.12	2.15	2.12

1) Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish?

It seems that they are more bullish than bearish, with the majority of analysts are in the buy and outperform categories 18 vs 13 who claim you should just hold it. There has been almost no change over the last 3 months, it seems one analyst rated it a hold for one month and then stopped following after that, as well as another analyst falling off outperform.

2) How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago?

They had 9 analyst saying buy over the last 4 months, 10 saying outperform the last 3 months then that analyst must have stopped following the stock and it dropped to 9 for the current. Hold has trended at 13, 2 months ago an additional analyst was added, but stopped the following month. Overall there was very stagnate thoughts, very little change.

3) Is there a notable trend of opinion convergence or divergence?

Analysts seem to not want to change their opinions, which is can be interpreted differently, either they are very confident in what they believe or they are not looking in-depth enough.

4) Cross check (1) Morningstar analyst's research report;

Morning star has a much stronger buy take on it with 6 analysts saying buy, 2 saying hold and 1 saying under perform. I personally like seeing underperform because it gives me an idea if some of those who are riding the fence on hold are leaning a certain way.

(F-2) Most Recent One Month Analysts Upgrades/Downgrades from CNBC

Go to <http://www.cnbc.com/>, "news", "earnings", "calendar", "upgrades" and "downgrades".

1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.

Last Earnings date was February 24th the next earnings date is May 19th.

2) Add up the number of upgrades on weekly basis. Do the same for downgrades. Were there more up- or down-grades? Were there any consistent trend you observe in the recent month? Were there any up- or down-grades of more than "one grade"?

There were no upgrades or downgrades for Home Depot on CNBC.

3) Were there clustering of up- or down-grades? If so, were they clustered around earnings report date? N/A

4) Observe stock price chart, how did the stock trade around dates of up- or down-grades? N/A

Section (G) Institutional Ownership (Guidelines Have Been Updated)

HD				
Section 1				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			1,317,883,629	100.00%
# of Holders; Total Shares Held/% Shares	1,819	107.25%	962,845,779	73.06%
# New Positions	171	10.08%		
# Closed Positions	48	2.83%		
# Increased Positions	729	42.98%		
# Decreased Positions	723	42.63%		
Beg. Total Inst. Positions	1,696	100.00%	980,992,327	74.44%
# Net Buyers; 3 Mo. Net Chg	6	50.21%	-18,146,548	-1.38%
Section 2				
Ownership Information	% Outstanding			
% Institutional Ownership	76.63			
Top 10 Institutions % Ownership	30.67%			
Mutual Fund % Ownership	40.99%			
Section 3				
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
Capital World Investors	7.75%	12/31/2014		
Vanguard Group Inc.	5.36%	12/31/2015		

1) Whether institutions, on net basis, have been increasing or decreasing ownership and whether the change can be considered as substantial

On a net basis there has been an increase in the stock ownership by 6, this shouldn't be considered substantial.

2) Whether the stock has sizable institution interests/support

There is nothing that is extremely sizeable Capital World Investors holds 7.75%.

3) The extent of the (> 5%) owners by adding up all >5% ownership, and make an effort to identify those that are mutual funds

There are only two who own more than 5% these companies are Capital World Investors (7.75%) and Vanguard Group Inc. (5.36%) combining to 13.11%. VA College America owns 4

different positions in different fund names, which totals to 6.59%. Vanguard also has a few different positions that add up to just above 3%.

Section (H) Short Interest (Guidelines for H-2 Have Been Updated)

(H-1)

The Home Depot

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/27/2015	8,900,842	6,674,657	1.333528
2/13/2015	10,126,386	5,034,816	2.011272
1/30/2015	11,177,910	5,476,404	2.041104
1/15/2015	8,727,907	5,506,406	1.585046
12/31/2014	8,685,476	5,378,648	1.614807
12/15/2014	8,086,820	5,355,557	1.509987
11/28/2014	9,050,853	6,471,652	1.398538
11/14/2014	11,948,472	4,479,332	2.667467
10/31/2014	13,337,806	5,625,467	2.370969
10/15/2014	12,191,682	7,080,343	1.721906
9/30/2014	10,856,932	6,252,418	1.736437
9/15/2014	12,381,364	8,467,536	1.462216
8/29/2014	14,981,822	8,867,813	1.689461
8/15/2014	12,956,387	5,413,132	2.393510
7/31/2014	16,260,267	5,396,409	3.013164
7/15/2014	16,763,822	6,254,793	2.680156
6/30/2014	23,583,342	6,708,741	3.515316
6/13/2014	30,644,247	5,588,646	5.483304
5/30/2014	11,551,569	6,488,396	1.780343
5/15/2014	10,891,253	5,076,055	2.145614
4/30/2014	11,177,448	7,981,665	1.400391
4/15/2014	10,540,243	7,460,716	1.412766
3/31/2014	16,752,334	6,210,932	2.697234
3/14/2014	20,788,035	6,152,455	3.378820

Lowes

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/27/2015	8,402,498	5,692,922	1.475955
2/13/2015	9,287,022	4,263,948	2.178034
1/30/2015	11,936,225	5,951,655	2.005530
1/15/2015	12,608,486	5,344,199	2.359285
12/31/2014	12,461,282	4,735,932	2.631221
12/15/2014	12,649,838	5,418,617	2.334514
11/28/2014	11,946,747	6,214,849	1.922291
11/14/2014	11,668,058	4,168,257	2.799265
10/31/2014	13,092,452	5,496,599	2.381919
10/15/2014	21,028,698	6,574,091	3.198723
9/30/2014	18,374,616	4,795,596	3.831560
9/15/2014	22,406,949	4,954,473	4.522570
8/29/2014	14,895,964	6,618,451	2.250672
8/15/2014	15,439,008	4,561,119	3.384917
7/31/2014	16,661,830	4,229,984	3.938982
7/15/2014	17,360,733	4,917,701	3.530254
6/30/2014	18,617,862	7,701,710	2.417367
6/13/2014	21,030,813	4,928,548	4.267142
5/30/2014	25,193,414	6,226,258	4.046317
5/15/2014	10,514,030	4,595,137	2.288078
4/30/2014	10,796,988	5,103,807	2.115477
4/15/2014	11,069,111	5,648,733	1.959574
3/31/2014	13,165,158	5,414,515	2.431457
3/14/2014	17,308,530	5,253,985	3.294362

Whirlpool

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/27/2015	2,093,535	724,890	2.888073
2/13/2015	2,217,069	1,069,890	2.072240
1/30/2015	1,662,424	743,258	2.236672
1/15/2015	2,142,264	850,647	2.518394
12/31/2014	2,044,298	1,167,401	1.751153
12/15/2014	2,591,125	719,877	3.599400
11/28/2014	3,019,469	843,753	3.578617
11/14/2014	3,404,153	717,012	4.747693
10/31/2014	2,915,622	1,154,795	2.524796
10/15/2014	3,577,023	1,180,734	3.029491
9/30/2014	2,808,204	800,322	3.508843
9/15/2014	3,084,396	774,238	3.983783
8/29/2014	2,882,800	801,708	3.595823
8/15/2014	3,018,876	1,166,381	2.588242
7/31/2014	3,682,445	2,007,817	1.834054
7/15/2014	3,422,090	1,162,054	2.944863
6/30/2014	2,949,800	889,841	3.314974
6/13/2014	2,790,170	910,008	3.066094
5/30/2014	2,510,857	840,637	2.986850
5/15/2014	3,019,228	1,056,050	2.858982
4/30/2014	2,913,198	936,290	3.111427
4/15/2014	3,130,457	1,030,613	3.037471
3/31/2014	2,732,584	805,991	3.390341
3/14/2014	2,454,988	1,006,323	2.439563

(H-2) Short Interest Data**The Home Depot**

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
5,246,410	4,897,720	1.31B	1.30B
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
8.90M (As of Feb 27, 2015)	1.50 (As of Feb 27, 2015)	0.70% (As of Feb 27, 2015)	10.13M

Lowe's

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
4,931,320	5,478,800	960.00M	957.26M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
8.40M (As of Feb 27, 2015)	1.60 (As of Feb 27, 2015)	0.80% (As of Feb 27, 2015)	9.29M

Whirlpool

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
831,252	957,183	78.10M	77.49M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
2.09M (As of Feb 27, 2015)	2.30 (As of Feb 27, 2015)	2.70% (As of Feb 27, 2015)	2.22M

1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.

The Home Depot reported last quarter earnings on February 24, 2015 and their next earnings reporting date is May 19, 2015

2) Discuss market sentiment on the stock based on the short interest statistics, recent trend reported in in (H-1) and (H-2)? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?

When looking at the data on short interest of the Home Depot and the competing companies Lowes and Whirlpool, you can see that the short interest ratio is 1.50 which is lower than Lowes' 1.60 and Whirlpool's 2.30. This means that market sentiment for Home Depot is more bullish than their competitors. A low short interest ratio indicates a bullish trend and a ratio around 5 or greater usually indicates a bearish signal. The home depot has the highest amount of shares short but when compares to the float, The Home Depot has the lowest short percentage of float at 0.70%

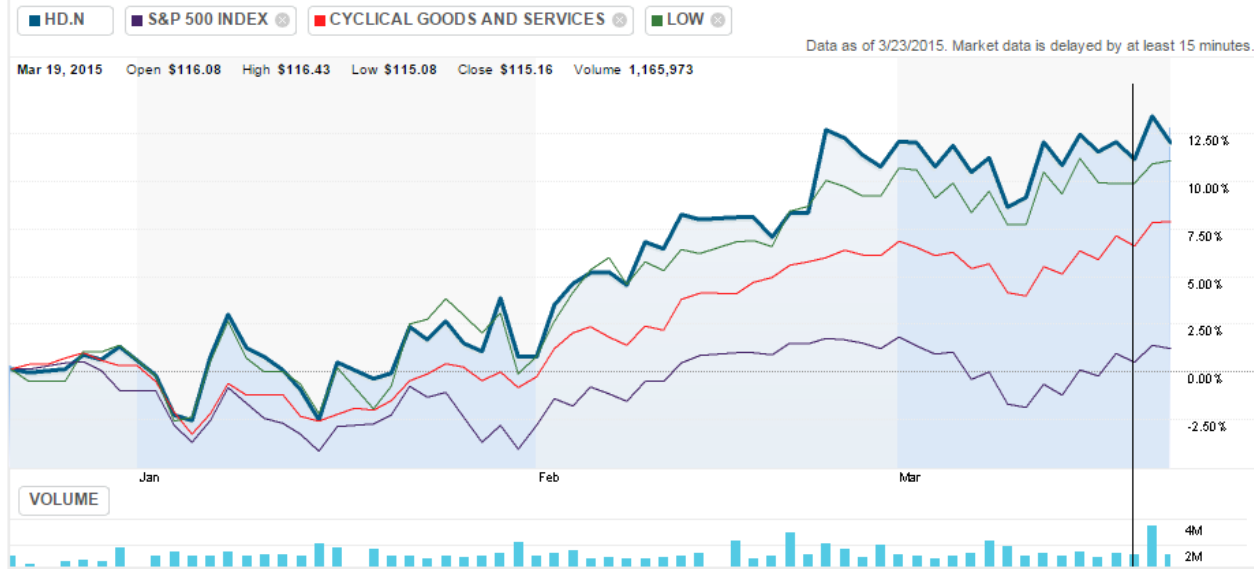
3) From (H-1), observe "short interest" and "# of days to cover" values for two reporting dates immediately before and one reporting date immediately after earnings report. (1) Were there notable increase or decrease in the values, right before or right after earnings report? (2) Observe stock price chart and comment on how stock traded around those dates.

The short interest and # of days to cover immediately before the earnings release were 10,126,386 and 2.011272 respectively. The report right after the earnings release decreased down to 8,900,842 and 1.333528 respectively. This is a decrease of 1,225,544 and a decrease of 0.677744 in the number of days to recover. This indicates that these changes were not drastic but it does indicate that the Home Depot is in a bullish trend after the earnings release.

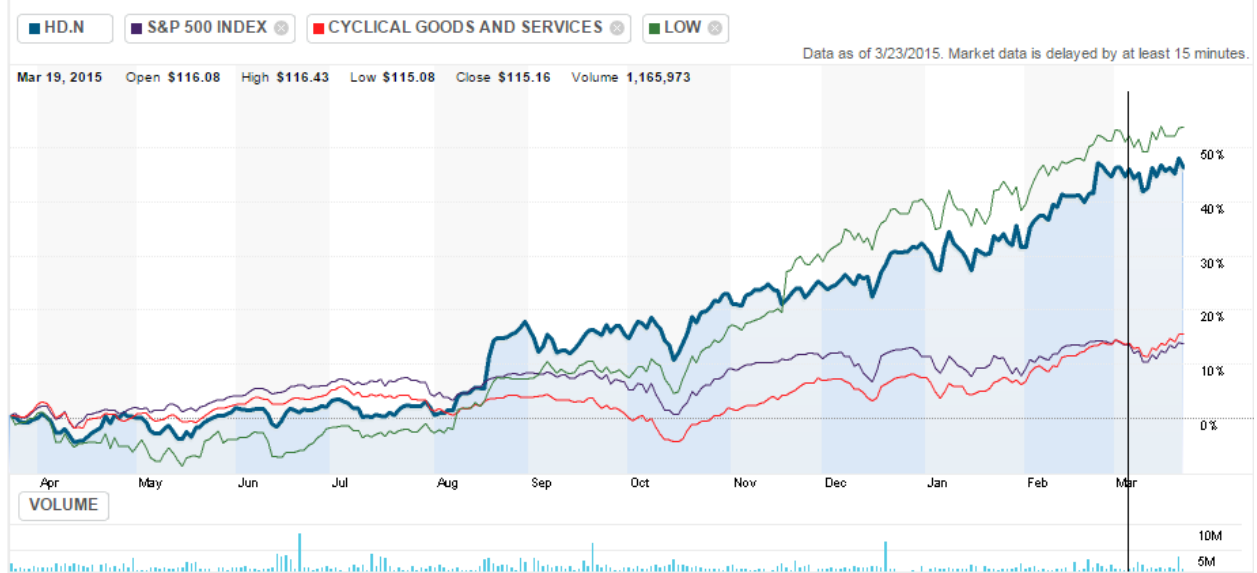
Section (I) Stock Charts (Guidelines for I-4 Have Been Updated)

For (I-1) – (I-3), the stock price charts should include (1) your stock, (2) 1 competitor, (3) sector ETF, and (4) SP500

(I-1) A three months price chart



(I-2) A one year price chart



(I-3) A five year price chart



1) (I-1) – (I-3) Discuss what you observe from the above stock price charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

By looking at the three charts above, you can see that the Home Depot has outperformed their leading competitor Lowes, the S&P 500, as well as the companies industry overall. The three month chart shows the Lowes and Home Depot have recently had similar performance since both companies are preparing for their busiest quarter in the spring and summer. Both the companies are also outperforming the industry and the S&P index. In the one year chart, you can see that The Home Depot crept out from performing under the industry and index and began to outperform during their high business season. You will also notice that Lowes has been performing over the Home Depot in the past few months. The five year chart is an excellent indicator that confirms Home Depots consistent strengthening and growing performance as America eases out of a recession and the building market begins to thrive again. As the housing and home improvement industry continue to grow, the Home Depots stock is in line to continue on its path of growth alongside the industry. The 5 year also shows the strong outperformance over the leading competitor Lowes as well as both the S&P and the cyclical goods industry.

2) Other observations worth noting?

It is worth noting that there has been a strong increased growth of both the Home Depot as well as Lowes in the past year indicating that the home improvement and building industry is reaching a strong growth point and should continue on this path for the next couple years according to historical building cycles.

(I-4) Technical Indicators (“Moving Average” and “Relative Strength Index” from <https://www.google.com/finance?tab=we>

Short-term moving average and relative strength index indicators



Long-term moving average and relative strength index indicators



1) Discuss your findings from these sets of technical indicators. Compare your findings here to findings from fundamental analysis. Are findings from technical analysis supportive of your other findings?

Using the simple moving average indicator on this chart allows for us to see the short and long term momentum of the stock and indicates what direction the stock is expected to move based on the momentum of growth or decline. For the short term, both long 50 day and short 10 day simple moving averages are consistently moving up which shows a growth in the stock's value. There is a little volatility in the 10 day but overall both the 10 and 50 day indicators are steadily increasing. In the long term, both the 50 and 200 day averages a steadily rising which means the value of the stock is increasing at a steady pack and also indicates that the stock is going to continue to increase in value.

2) Other observations worth noting?

One thing to note about the long term chart is the spike in stock value in the past half year.

This indicates that the stock is growing faster than it has been in the past and is something to note since it could indicate the stock may be overvalued at the moment and will fall back in line with past growth. It could also show that the growth of the company has recently been increasing due to a stronger market in the home improvement and building supplies industry. If the stock continues to grow at the pace the at it has been in the past 6 months, then the short and long term moving averages will begin increasing in steepness to match the faster growth.

References

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