



Div %	Div \$	Current Price	Current Multiple	Market Cap	Beta
2.16%	\$6.00	\$277.51	23.98	\$298.8B	1.0

# Analyst Report: Home Depot

TICKER: HD

## EXECUTIVE SUMMARY

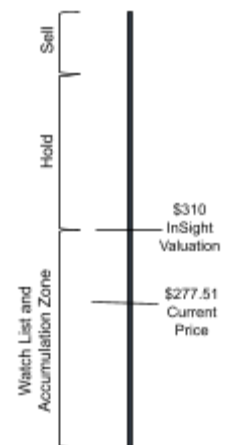
The Home Depot, Inc. is a home improvement retailer. The Company offers its customers an assortment of building materials, home improvement products, lawn and garden products, and decor products and provide a number of services, including home improvement installation services and tool and equipment rental. It operates approximately 2,291 The Home Depot stores located throughout the United States (U.S.), including the Commonwealth of Puerto Rico and the territories of the U.S. Virgin Islands and Guam; Canada and Mexico. The Company serve two primary customer groups: do-it-yourself (DIY) Customers and Professional Customers (Pros). DIY Customers include home owners who purchase products and complete their own projects and installations. Professional Customers are primarily professional renovators/remodelers, general contractors, handymen, property managers, building service contractors and specialty tradesmen, such as electricians, plumbers and painters.

## COMPANY HIGHLIGHTS

InSight is expecting the 2021 earnings to be +\$11.50 and to see margins continue to expand throughout the year. Total revenue has been strong throughout the pandemic. +23% total revenue growth for the quarter has helped us move up projections that earnings in 2021 will be +14% higher than in 2020. The company is realizing higher than typical demand across every product category. Additionally, the PRO business is looking more lucrative as well. InSight expects PRO sales, typically a quarter of total revenue, will continue to expand. Households are gaining tolerance for in-home contracting, to accompany the increase in in-home projects.

- We expect a 18% uptick in growth in FY 21 (Jan.), but may see some of that increase in demand pull forward demand from FY22. We anticipate a contraction of growth to +5-7% in 2022.
- Home Depot is grouped with a sector that is shrinking despite HD deliverance in the space.
- We see little change to the Home improvement landscape through the end of the pandemic, and beyond. Additionally, we think the uptick in homes sales is a leading indicator for HD revenues.
- The lower margin, higher volume business of PRO services will continue to expand. Inroads in this group have been established and are likely to continue.
- We expect the coverage ratio to continue to expand, and likely will lead to an increase of the dividend.
- Among a retail landscape that is deteriorating across brands, HD has been able to maintain both instore and online revenue and margin expansion.
- InSight thinks several of the chemical and hazardous materials they handle will continue to insulate them from direct to consumer pressures.
- HD online has also continued to evolve during the pandemic, and has accelerated positive trends in pick-up and home delivery.

Metric	InSight Score (out of 5)
Solvency Debt Service and Income	
Corporate Efficacy Return on Equity, Historic Growth	
Growth Revenue Growth, Cash Flow	
Return of Capital Dividend Growth, Buybacks	
Total Return Aggregate vs. Current P/E	



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## SECTOR OVERVIEW

Home Depot is in the Specialty Retail subgroup of Consumer Discretionary. The whole sector has been upended and is ripe for some styling changes. While the two largest participants in the index (AMZN and TSLA) are distorting the sector HD is holding its own in a more traditional return of capital metrics. Among more traditional retailers we think HD is the only storefront that has activated a true bulwark against AMZN. At +8% of the space HD is highly correlated to the sector, it is also the largest pure play in retails. We think that while the exposure is highly correlated to the sector, excess weighting is a online “resistant” income play for investors.

## IMPACT INSIGHT (ESG)

### +B Rating (Early Project, Labor Conscious, Low Profile)

**Environmentally** - HomeDepot has done an admirable job identifying the environmental risks in its organization and has an action plan in place to reconcile those many of the action items had taken major steps in 2018-2020, But there is a lot of work yet to do, there has been very little progress on carbon emissions, and the timeline for these projects are currently 2023-2025. While the road map is a nice addition we would like to get some of these projects become more of a priority. It should be noted that the carbon footprint profile for HD is far below many of the other companies we review.

**Socially** - Home Depot’s largest social risk is in the sourcing of products and the integrity of their vendors. HD has several reviews and audit committees that are in place to review their product partners and supply chain. There is nothing we can not that contains more risk than any of its peers, in addition they have a commitment to source domestically when possible.

**Governance** - there are currently no compliance or account issues we feel merits a flag here. The company has a sterling record for both accounting reports and operational transparency. The company is a low profile risk for governance issues. HD is compliant with all SEC and GAAP best practices and reports routinely.

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