

# HOME DEPOT NYSE:HD

RECENT PRICE **28.76** P/E RATIO **15.1** (Trailing: 12.8 Median: 26.0) RELATIVE P/E RATIO **0.94** DIV'D YLD **3.1%** VALUE LINE

**TIMELINESS 3** Raised 4/4/08  
**SAFETY 1** Raised 10/5/07  
**TECHNICAL 3** Raised 3/14/08  
**BETA 1.00** (1.00 = Market)

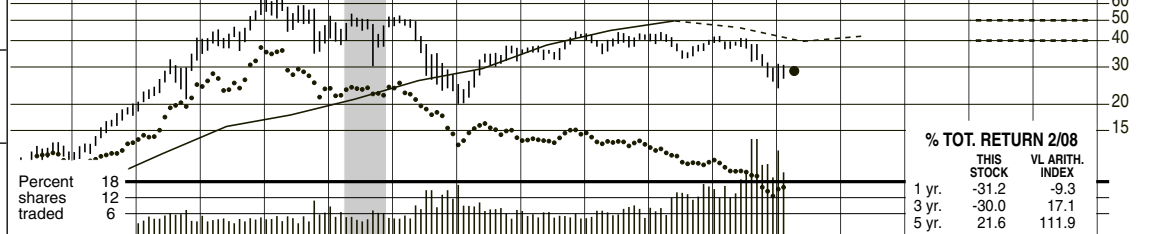
High: 20.2 41.3 69.8 70.0 53.7 52.6 37.9 44.3 44.0 43.9 42.0 31.1  
 Low: 10.6 18.4 34.6 34.7 30.3 23.0 20.1 32.3 34.6 32.8 25.6 23.8

LEGENDS  
 — 13.0 x "Cash Flow" p sh  
 .... Relative Price Strength  
 3-for-2 split 7/97  
 2-for-1 split 7/98  
 3-for-2 split 12/99  
 Options: Yes  
 Shaded area indicates recession

**2011-13 PROJECTIONS**  
 Ann'l Total  
 Price Gain Return  
 High 50 (+75%) 17%  
 Low 40 (+40%) 11%

**Insider Decisions**  
 M J J A S O N D J  
 to Buy 0 1 0 0 0 0 0 0 0  
 Options 0 0 0 0 1 0 0 2 0  
 to Sell 0 0 0 0 1 0 0 1 0

**Institutional Decisions**  
 2Q2007 3Q2007 4Q2007  
 to Buy 454 322 370  
 to Sell 660 783 654  
 Hld's(000) 1345226113301411154255



1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
3.58	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	<b>46.20</b>	<b>43.85</b>	<b>45.20</b>	Sales per sh	<b>53.30</b>
.22	.27	.36	.43	.54	.66	.90	1.21	1.37	1.62	1.99	2.27	2.93	3.44	3.82	<b>3.55</b>	<b>3.05</b>	<b>3.25</b>	"Cash Flow" per sh	<b>3.80</b>
.18	.22	.29	.34	.43	.52	.71	1.00	1.10	1.29	1.56	1.88	2.26	2.72	2.79	<b>2.27</b>	<b>1.85</b>	<b>2.00</b>	Earnings per sh A B	<b>2.50</b>
.02	.02	.03	.04	.05	.06	.08	.11	.16	.17	.21	.26	.33	.40	.68	.90	<b>.90</b>	<b>1.00</b>	Div'ds Decl'd per sh C	<b>1.10</b>
1.15	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	<b>10.60</b>	<b>11.75</b>	<b>12.95</b>	Book Value per sh	<b>17.50</b>
1996.1	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	<b>1675.0</b>	<b>1675.0</b>	<b>1675.0</b>	Common Shs Outst'g D	<b>1675.0</b>
47.1	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	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	<b>18.0</b>
2.86	2.50	2.16	1.87	1.66	1.78	2.09	2.61	3.03	1.82	1.23	.95	.88	.78	.74	.81			Relative P/E Ratio	<b>1.20</b>
.2%	.3%	.3%	.4%	.4%	.4%	.3%	.2%	.3%	.4%	.6%	.8%	.9%	1.0%	1.8%	2.6%			Avg Ann'l Div'd Yield	<b>2.4%</b>

**CAPITAL STRUCTURE as of 2/3/08**  
 Total Debt \$13430 mill. Due in 5 Yrs \$5300 mill.  
 LT Debt \$11383 mill. LT Interest \$690 mill.  
 (Total interest coverage and LT int earned: 10.4x)  
 (39% of Cap'l)  
**Leases, Uncapitalized** Annual rentals \$609.0 mill.  
**No Defined Benefit Pension Plan**  
**Pfd Stock None**  
**Common Stock** 1,687,616,597 shs. as of 11/23/07  
**MARKET CAP: \$48.5 billion (Large Cap)**

30219	38434	45738	53553	58247	64816	73094	81511	90837	77349	<b>75685</b>	<b>73480</b>	<b>75685</b>	Sales (\$mill) A	<b>89250</b>
29.7%	30.9%	31.2%	31.6%	32.6%	33.4%	35.2%	33.5%	32.8%	33.6%	<b>33.0%</b>	<b>33.0%</b>	<b>33.0%</b>	Gross Margin	<b>33.0%</b>
10.0%	11.1%	10.5%	10.6%	11.6%	12.2%	12.6%	13.3%	12.6%	11.6%	<b>10.7%</b>	<b>11.0%</b>	<b>11.0%</b>	Operating Margin	<b>11.0%</b>
761	913	1134	1333	1532	1707	1890	2042	2147	2234	<b>2290</b>	<b>2370</b>	<b>2370</b>	Number of Stores	<b>2690</b>
1614.0	2320.0	2581.0	3044.0	3664.0	4304.0	5001.0	5838.0	5761.0	4210.0	<b>3435</b>	<b>3715</b>	<b>3715</b>	Net Profit (\$mill)	<b>4600</b>
39.2%	39.0%	38.8%	38.6%	37.6%	37.1%	36.8%	37.1%	38.1%	36.4%	<b>38.0%</b>	<b>38.0%</b>	<b>38.0%</b>	Income Tax Rate	<b>38.0%</b>
5.3%	6.0%	5.6%	5.7%	6.3%	6.6%	6.8%	7.2%	6.3%	5.4%	<b>4.7%</b>	<b>4.9%</b>	<b>4.9%</b>	Net Profit Margin	<b>5.2%</b>
2076.0	2734.0	3392.0	3860.0	3882.0	3774.0	3661.0	2445.0	5069.0	1968.0	<b>2095</b>	<b>1340</b>	<b>1340</b>	Working Cap'l (\$mill)	<b>1300</b>
1566.0	750.0	1545.0	1250.0	1321.0	856.0	2148.0	2672.0	11643	11383	<b>11400</b>	<b>11400</b>	<b>11400</b>	Long-Term Debt (\$mill)	<b>11400</b>
8740.0	12341	15004	18082	19802	22407	24158	26909	25030	17714	<b>19640</b>	<b>21680</b>	<b>21680</b>	Shr. Equity (\$mill)	<b>29280</b>
16.0%	18.0%	15.9%	16.0%	17.6%	18.7%	19.1%	20.0%	16.2%	15.6%	<b>12.0%</b>	<b>12.5%</b>	<b>12.0%</b>	Return on Total Cap'l	<b>12.0%</b>
18.5%	18.8%	17.2%	16.8%	18.5%	19.2%	20.7%	21.7%	23.0%	23.8%	<b>17.5%</b>	<b>17.0%</b>	<b>17.0%</b>	Return on Shr. Equity	<b>15.5%</b>
16.5%	16.7%	14.7%	14.6%	16.0%	16.6%	17.7%	18.5%	17.4%	14.2%	<b>10.0%</b>	<b>9.5%</b>	<b>9.5%</b>	Retained to Com Eq	<b>9.5%</b>
10%	11%	14%	13%	13%	14%	14%	15%	24%	40%	<b>44%</b>	<b>45%</b>	<b>45%</b>	All Div'ds to Net Prof	<b>39%</b>

CURRENT POSITION (SMILL.)	2005	2006	2/3/08
Cash Assets	807	614	457
Receivable	2396	3223	1259
Inventory (LIFO)	11401	12822	11731
Other	742	1341	1227
Current Assets	<b>15346</b>	<b>18000</b>	<b>14674</b>
Accts Payable	6032	7356	5732
Debt Due	1413	18	2047
Other	5456	5557	4927
Current Liab.	12901	12931	12706

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '11-'13
Sales	18.0%	15.0%	4.5%
"Cash Flow"	22.5%	19.5%	1.5%
Earnings	22.0%	18.0%	-0.5%
Dividends	27.0%	26.0%	13.0%
Book Value	18.5%	13.5%	5.5%

Fiscal Year Begins	QUARTERLY SALES (\$ mill.) A				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
2005	18973	22305	20744	19489	81511
2006	21461	26026	23085	20265	90837
2007	18545	22184	18961	17659	77349
2008	<b>17550</b>	<b>21095</b>	<b>18040</b>	<b>16795</b>	<b>73480</b>
2009	<b>17880</b>	<b>21685</b>	<b>19235</b>	<b>16885</b>	<b>75685</b>

Fiscal Year Begins	EARNINGS PER SHARE A B				Full Fiscal Year
	Apr.Per	Jul.Per	Oct.Per	Jan.Per	
2005	.57	.82	.72	.61	2.72
2006	.70	.90	.73	.46	2.79
2007	.48	.77	.59	.40	2.27
2008	<b>.40</b>	<b>.63</b>	<b>.48</b>	<b>.34</b>	<b>1.85</b>
2009	<b>.44</b>	<b>.67</b>	<b>.53</b>	<b>.36</b>	<b>2.00</b>

Cal-endar	QUARTERLY DIVIDENDS PAID C				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2004	.07	.085	.085	.085	.33
2005	.10	.10	.10	.10	.40
2006	.15	.15	.15	.225	.68
2007	.225	.225	.225	.225	.90
2008	.225	.225	.225	.225	.90

**BUSINESS:** The Home Depot, Inc. operates a chain of retail building supply/home improvement "warehouse" stores across the United States and in Canada. 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. '06 depreciation rate: 1.4%. Has about 364,000 employees. Officers & directors own 3.3% of common shares (4/07 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.

**Home Depot has put a difficult fiscal 2007 (ended February 3, 2008) behind it ...** The company's comparable-store revenues slid 6.7% on the year, and profits from continuing operations plunged about 20%. The residential housing slump is largely responsible for the slide. Demand for construction materials was down considerably, as housing starts reached their lowest levels since 1991. In addition, homeowners were unwilling to undertake expensive renovation projects while housing prices were falling. Instead, many customers opted to merely maintain their structures. On the whole, this behavior cut into the company's average price per transaction.

**... but 2008 promises to be rough, as well.** We expect housing prices to remain depressed through the end of this year, at least. Also, sales worsened in each of the final three months of last fiscal year, which bodes ill for a quick turnaround. (Same-store sales in November, December, and January fell 6.6%, 7.2%, and 10.8%, respectively).

**Home Depot has put its recapitalization plans on hold.** The company had

planned to borrow about \$12 billion, all of which was to be used to repurchase shares. In our January report, we noted that the plan's implementation date had been pushed back into 2008. It now appears that it will not take place at all this year, as management is waiting until the business and credit markets stabilize. We believe that this delay is prudent. With earnings likely to fall, year over year, in 2008, there is little reason to increase the company's financial leverage, especially when almost 40% of Home Depot's total capital is composed of debt as it is.

**We now expect Home Depot to earn \$1.85 a share this year.** This figure is well below the \$2.70 a share we looked for in January. Some of the reduction stems from the company's decision to delay its recapitalization, which increases the estimated share count. However, we also now expect revenues to fall about 5%, which we feel better reflects the company's prospects in light of the ongoing housing crisis. Only patient, buy-and-hold investors are likely to find value in these neutrally ranked shares.

*Christopher Robertson*  
 April 4, 2008

(A) Fiscal year ends Sunday closest to January 31st of the following year. (B) Diluted earnings. Excludes nonrecurring loss: '07, \$0.10. Total may not sum due to rounding. Next egs. report due late May. (C) Dividends historically paid in March, June, Sept., and Dec. Div'd reinvest. plan avail. (D) In millions, adjusted for stock splits.

Company's Financial Strength	A++
Stock's Price Stability	80
Price Growth Persistence	10
Earnings Predictability	85