



Home Depot (HD)

Updated February 26th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$391	5 Year CAGR Estimate:	5.8%	Market Cap:	\$391 B
Fair Value Price:	\$313	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	03/13/2025
% Fair Value:	125%	5 Year Valuation Multiple Estimate:	-4.4%	Payment Date¹:	03/27/2025
Dividend Yield:	2.4%	5 Year Price Target	\$460	Years of Dividend Growth:	16
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Home Depot was founded in 1978 and since that time has grown into a juggernaut home improvement retailer with over 2,300 stores in the US, Canada and Mexico that generate around \$160 billion in annual revenue. The stock has a market value of \$391 billion, making it one of the larger companies by market capitalization in the US. It trades under the ticker symbol HD on the NYSE.

On February 25th, 2025, Home Depot announced a 2.2% increase to the dividend to \$9.20 per share annualized.

On June 18th, 2024, Home Depot completed its acquisition of SRS Distribution, a leading residential specialty trade distribution company, for an enterprise value of \$18.25 billion. This acquisition expanded Home Depot's total addressable market by \$50 billion to \$1 trillion.

Home Depot reported fourth quarter 2025 results on February 25th, 2025. The company reported sales of \$39.7 billion, up 14% year-over-year. Comparable sales in the quarter increased 0.8%. Net earnings equaled \$3.0 billion, or \$3.02 per share, compared to \$2.8 billion, or \$2.82 per share in Q4 2023. Adjusted EPS was \$3.13.

Average ticket improved 0.3% compared to last year, from \$88.87 to \$89.11. Additionally, sales per retail square foot rose 1.2% from \$550.50 to \$556.90.

The company spent \$649 million on common stock repurchases in 2024, compared to \$8.0 billion in the prior year.

As of the end of 4Q24, Home Depot had cash and cash equivalents equal to \$1.7 billion.

Management initiated its guidance for 2025 and expects total sales growth of 2.8%, the addition of 13 new stores, and diluted EPS to decline by 3% from 2024.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.34	\$6.45	\$7.46	\$9.73	\$10.25	\$11.94	\$15.53	\$16.69	\$15.11	\$14.91	\$14.90	\$21.89
DPS	\$2.36	\$2.76	\$3.56	\$4.12	\$5.44	\$6.00	\$6.60	\$7.60	\$8.36	\$9.00	\$9.20	\$13.52
Shares²	1252	1203	1158	1121	1088	1078	1058	1025	1002	994	990	930

Home Depot's earnings momentum has been enormous in the past decade as it has been able to fully capitalize on the housing and construction boom that ensued following the Great Recession. Then, in the depths of the COVID pandemic, business boomed as the demand for home remodeling and renovations surged. We see five-year annual earnings per share growth of 8.0%, consisting of comparable sales in the low single digits, a low single-digit tailwind from buybacks, a potential low single-digit tailwind from operating margin improvements, and acquisitions. Average ticket sales increases will also continue to add to the top line.

On the share repurchase front, Home Depot spent nearly \$8.0 billion and \$6.7 billion in 2023 and 2022, respectively. Effective August 15th, 2023, the company inked a new share repurchase authorization of \$15 billion.

¹ Estimate based on last year

² In millions

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However, in 2024, it only repurchased \$649 million of its stock, as it spent a significant sum on its acquisition of SRS.

In addition, the company's streak of meaningful dividend growth should continue as we see the payout rising at the rate of earnings, reaching \$13.52 per share in five years. Home Depot's 2.4% yield is in line with its historic average. The company has ample room to continue raising the payout in the years to come. Additionally, as it matures it may institute a higher payout ratio target for the dividend, further boosting its dividend growth prospects.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.1	20.3	21.6	19.4	21.0	23.5	24.2	19.6	19.0	24.3	26.2	21.0
Avg. Yld.	2.0%	2.1%	2.2%	2.2%	2.3%	2.3%	2.0%	2.3%	2.6%	2.4%	2.4%	2.9%

The share price of Home Depot has come down recently, but the stock still trades above our estimate of fair value.

Shares trade for 26.2 times our earnings estimate for this year, while we see fair value at 21 times earnings. As a result, we see the potential for a valuation headwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

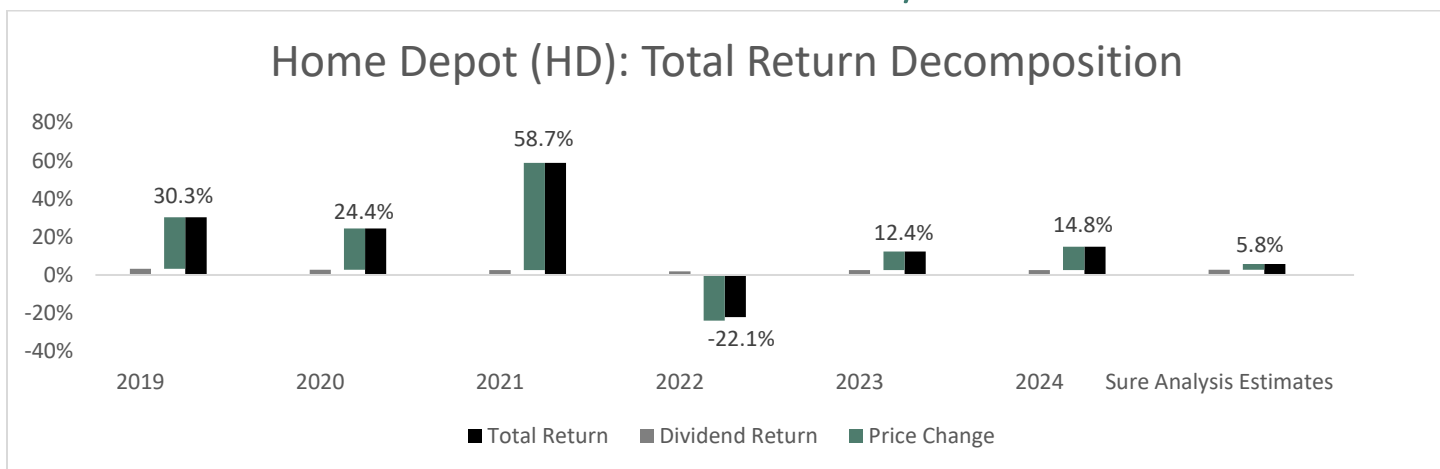
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	44%	43%	48%	42%	53%	50%	42%	46%	55%	60%	62%	62%

Home Depot's payout ratio is above half of earnings, and we expect it will remain in this range for the foreseeable future. That means the dividend is not only safe, but it has room to grow in the future as earnings expand. Home Depot's competitive advantage is in its enormous footprint, strong brand recognition and inventory variety. Supplanting its dominant position in home improvement will be extremely difficult for all comers, including rival Lowe's. The company is likely to suffer during a recession, but weakness would be a buying opportunity for long-term investors. With the coronavirus pandemic forcing many to stay home, home renovations is how many people spent their time, which was reflected in Home Depot's stock, seeing total returns of 24.4% in 2020 and 58.7% in 2021.

Final Thoughts & Recommendation

Home Depot offers investors the chance to own a stock that is dominant in its industry with terrific long-term earnings and dividend growth outlooks. The share price of HD has declined by 4% since our last research report, in November, and it is now trading at 125% of our fair value estimate. We expect total annual returns of 5.8% going forward, consisting of the current 2.4% yield, and 8.0% earnings-per-share growth, partly offset by -4.4% P/E multiple contraction. HD maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	83.18	88.52	94.60	100.90	108.20	110.23	132.11	151.16	152.67	159.51
Gross Profit	28,389	30,265	32,313	34,356	37,160	37,572	44,853	50,832	50,960	53310
Gross Margin	34.1%	34.2%	34.2%	34.0%	34.3%	34.1%	34.0%	33.6%	33.4%	33.4%
SG&A Exp.	16,280	16,801	17,132	17,864	19,513	19,740	24,447	25,406	26,600	28750
D&A Exp.	1,786	1,863	1,973	2,062	2,152	2,296	2,519	2,862	3,247	3761
Operating Profit	10,469	11,774	13,427	14,681	15,777	15,843	18,278	23,040	21,690	21530
Op. Margin	12.6%	13.3%	14.2%	14.5%	14.6%	14.4%	13.8%	15.2%	14.2%	13.5%
Net Profit	6,345	7,009	7,957	8,630	11,121	11,242	12,866	16,433	15,140	14810
Net Margin	7.6%	7.9%	8.4%	8.6%	10.3%	10.2%	9.7%	10.9%	9.9%	9.3%
Free Cash Flow	6,800	7,870	8,162	10,134	10,723	11,009	16,376	14,005	17,950	16320
Income Tax	3,631	4,012	4,534	5,068	3,435	3,473	4,112	5,304	4,781	4600

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	39,946	41,973	42,966	44,529	44,003	51,236	70,581	71,876	76,530	96120
Cash & Equivalents	1,723	2,216	2,538	3,595	1,778	2,133	7,895	2,343	3,760	1659
Acc. Receivable	1,484	1,890	1,570	1,604	1,640	1,738	2,550	2,901	3,328	4903
Inventories	11,079	11,809	12,549	12,748	13,925	14,531	16,627	22,068	20,980	23450
Goodwill & Int.	1,353	2,102	2,093	2,275	2,252	2,254	7,126	7,449	8,455	28460
Total Liabilities	30,624	35,657	38,633	43,075	45,881	54,352	67,282	73,572	75,490	89480
Accounts Payable	5,807	6,565	7,000	7,244	7,755	7,787	11,606	13,462	10,040	11940
Long-Term Debt	17,197	21,216	23,601	27,028	29,202	31,483	37,238	40,086	44,110	53380
Total Equity	9,322	6,316	4,333	1,454	-1,878	-3,116	3,299	-1,696	1,044	6640
LTD/E Ratio	1.84	3.36	5.45	18.59	-15.55	-10.10	11.29	-23.64	42.25	8.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	15.8%	17.1%	18.7%	19.7%	25.1%	23.6%	21.1%	23.1%	19.8%	17.2%
Return on Equity	58.1%	89.6%	149.4%	298.3%	---	---	---	---	---	385.4%
ROIC	23.6%	25.9%	28.7%	30.6%	39.9%	40.4%	37.3%	41.6%	33.7%	28.15%
Shares Out.	1,346	1,283	1,234	1,184	1,143	1,097	1,078	1,058	1,002	993
Revenue/Share	61.79	68.99	76.66	85.22	94.67	100.48	122.55	142.87	152.36	160.64
FCF/Share	5.05	6.13	6.61	8.56	9.38	10.04	15.19	13.24	17.91	16.44

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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