The Home Depot, Inc.

STUDENT MANAGED FUND 2019 ANALYST REPORT

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The Home Depot, Inc. (NYSE: HD)

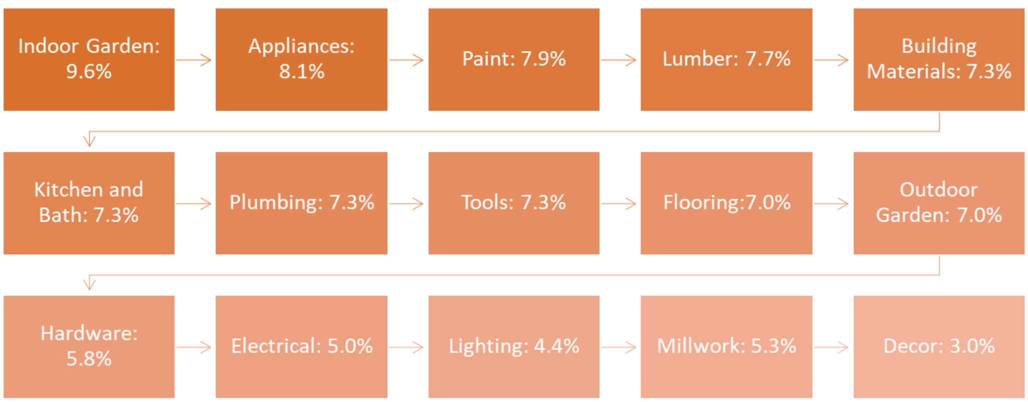
January 31, 2019	***NYSE: HD***	***Recommendation:*** BUY
Target Price: $224.91	***TTM P/E:*** *19.39x*	***52 Week High:*** *$215.43*
Current Price: $179.69	***EPS:*** *$9.21*	***52 Week Low:*** *$158.09*
Market Cap: $203B	***Dividend Yield:*** *2.29%*	***Industry:*** *Home Improvement Retail*

Basis for Recommendation

We recommend a BUY rating for The Home Depot based on their wide economic moat, strong growth catalysts, and top position in the Home Improvement industry. Home Depot has experienced strong revenue growth over the past five years, and it has strong catalysts, such as the One Home Depot Initiative, that should continue to drive revenue growth. Home Depot is the largest company in the Home Improvement industry, comprising 47% of the market share. They have strong bargaining power over their broad network of suppliers and are able to provide a low-cost advantage to their customers, which encourages their loyalty. Many traditional brick and mortar stores are struggling to compete with online retailers such as Amazon. The Home Depot, however, is resistant to the threat of e-commerce because they sell products that are largely cost ineffective for e-commerce giants to sell and have developed their own e-commerce distribution channel.

BUSINESS OVERVIEW

The Home Depot Inc. was founded in 1978 and is the world's largest home improvement retailer. They operate 2,284 stores across North America with locations in The United States, Puerto Rico, The Virgin Islands, Guam, Canada, and Mexico. Stores average approximately 128,000 square feet, with sales per square foot averaging $417, and an average ticket of $63. In addition to their stores, The Home Depot operates a network of distribution and fulfilment centers, as well as e-commerce sites. The Home Depot offers a wide selection of home improvement products, lawn and garden products, and décor products as well as numerous services such and tool and equipment rental and home improvement installation services (Appendix B).



The Home Depot's three major customer segments, defined below, are comprised of DIY customers (18.2%) and Professionals plus "Do it For Me" customers (81.8%)

Do-It-Yourself (DIY): Primarily customers who own homes and complete their own projects and installations. Home Depot's associates help provide product and project expertise through in-store interactions, online media, and other resources. The Home Depot also offers a number of workshops to build a relationship with these customers.

Do-It-For-Me (DIFM): Primarily customers who are own homes and engage with pros to complete home projects and installation. The Home Depot offers a variety of installation services to these customers available for purchase both in-store. Installation programs include categories such as: flooring, windows, countertops, furnaces, and central air systems.

Professionals (PROS): "Professionals" include: professional contractors/home remodelers, general contractors, handymen and property managers, plumbers, electricians, and painters. These customers build, renovate, and maintain:

- Residential, hospitality, and commercial properties
- Single and multi-family homes

- Commercial, education, and healthcare facilities
- Government and office buildings

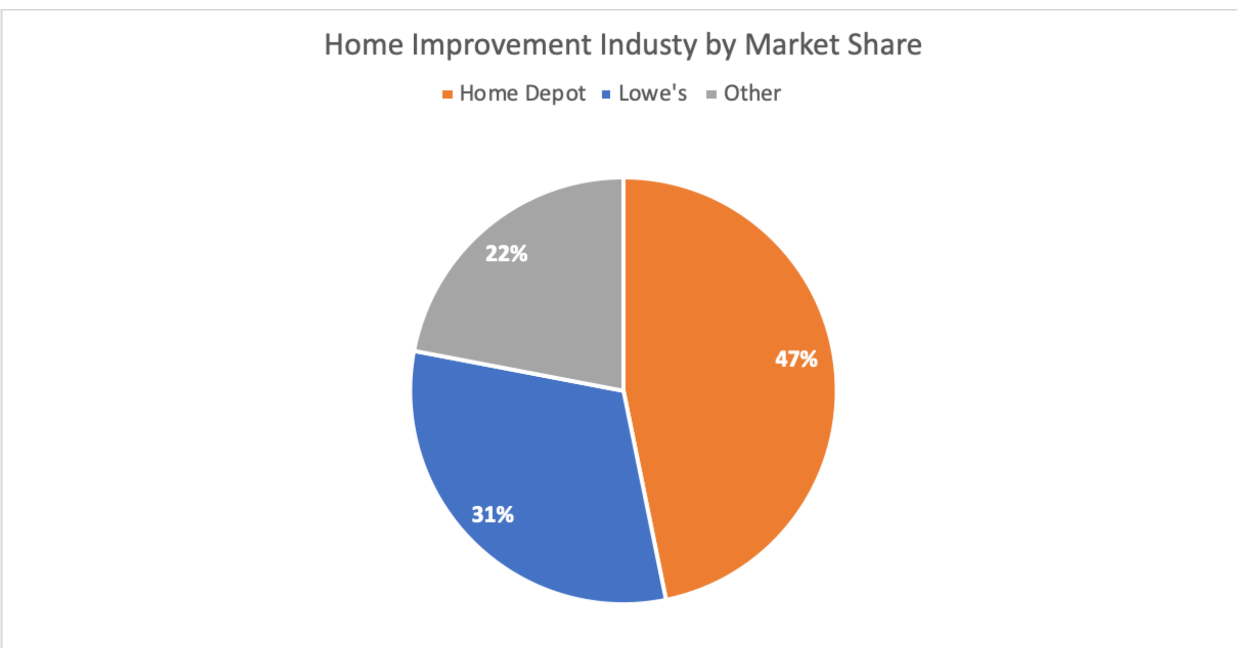
INDUSTRY ANALYSIS

Industry Analysis

The Home Improvement industry is moderately sensitive to changes in macroeconomic factors such as the health of the overall United States economy and US housing starts. According to consensus estimates, the US unemployment rate will remain relatively low and GDP per-capita is poised to grow at 3.2% per year over the next four years. These statistics contribute to our positive outlook for the home improvement sector as they signal that consumers will be able to continue to generate income and have discretionary funds that could be spent on home improvement projects.

The customer base of Home Depot and Lowe's, the top two home improvement retailers, has historically been split between Professionals and DIY customers. However, there is a growing segment of customers referred to as Do-It-For-Me (DIFM) customers, who choose to have a professional complete their home projects and installations. There is a consensus that the DIFM customer segment will continue to grow as the baby boomer generation, that has predominantly been DIY customers, become more willing to pay a premium for installation services.

Competitive Analysis



The US Home Improvement industry is commonly referred to as a duopoly between Lowe's and Home Depot. The two titans account for 78% of the industry's market share with Home Depot controlling 47% of the market and Lowe's controlling 31%. In reality, the business model and products of both companies are extremely similar. Despite similar business models, The Home Depot has managed to gain a lead in market share and we believe this will remain the case due to Home Depot's value, culture, and innovation.

Porter's Five Forces

After conducting a Porter's Five Forces analysis on both Home Depot and Lowe's, we concluded the following:

Bargaining Power - Consumer: We determined a moderate level threat. Consumers face a nonexistent cost of switching between competitors in the Home Improvement industry, which gives them leverage over companies and an ability to speak with their wallets. The Home Depot combats this threat by providing customers with everyday low prices and a robust portfolio of exclusive brands.

Bargaining Power - Suppliers: We determined a very low-level threat. Due to Home Depot's size, they possess a large amount of leverage over their suppliers. This allows Home Depot to drive aggressive deals with suppliers and generate value that can be passed on to customers.

Threat of Substitutes: We determined that this is the biggest threat to Home Depot. As outlined in the Bargaining Power of Consumers, there is little to no cost of switching between companies to consumers allowing consumers the possibility of "cherry picking" what products to buy from which store. In addition to great prices, The Home Depot responds to this threat by instilling loyalty in their customers and diversifying themselves through a focus on culture and customer satisfaction.

Threat of new entrants: We determined a very low risk level. While it wouldn't be impossible to start up a chain of home improvement stores, we believe it would be near impossible for a new competitor to reach the scale of Lowe's and Home Depot, due to the established brand loyalty and supply chain network that Home Depot and Lowe's have spent decades creating.

Competitive Rivalry: Lastly, we determined that competitive rivalry is a moderate level threat. The Home Improvement industry is a mature market in which Home Depot is already the industry leader. There are multiple factors that lead us to conclude that The Home Depot will remain the industry leader well into the future and they are outlined in the competitive advantages section.

	Home Depot	Lowe's
PE Ratio (TTM)	19.39	17.98
EV/EBITDA	12.99	12.19
EPS	$9.21	$4.50
Dividend Yield	2.29%	1.98%
EPS growth rate	4.32%	5.33%
Credit rating	A2	A3
# of stores* / Sales per sq ft	2,284 / $417	2,133 / $320
Avg ticket / Total transactions (mil)	$63 / 1,578	$72 / 953
Asset Turnover	2.34	1.94

Figure 1

Competitive Advantages

The Home Depot is focused on improving their supply chain, increasing their exposure to customers, and instilling customer loyalty by providing amazing value. In order to improve their supply chain and exposure to customers, Home Depot has started an initiative named One Home Depot

The Home Depot quantitatively outclasses Lowe's in several comparative metrics. Referring to **figure 1,** one key takeaway is the fact the market is willing to pay a higher premium per dollar of Home Depot earnings compared to Lowe's. Home Depot's higher P/E Ratio is indicative of the overall market's belief that Home Depot's growth potential is higher than that of Lowe's. Two other key statistics from **figure 1** are the average ticket number and the total transactions per year. Lowe's has a slightly higher average ticket number, beating Home Depot's average ticket by $9, but The Home Depot produces $625 million more transactions than Lowe's in a year while only having 151 more stores than Lowe's.

INVESTMENT THESIS

Wide Economic Moat

An economic moat comes from a company's ability to diversify itself and become unique to the point that it is near impossible to recreate. The Home Depot's wide economic moat is attributed to their bargaining power over suppliers. Due to their scale, The Home Depot is able to cut immense deals with their suppliers. The Home Depot's suppliers need Home Depot's business more than Home Depot needs theirs: The Home Depot deals with a broad network of suppliers and offer account for a large portion of their suppliers revenues. The leverage that Home Depot has over suppliers allows for them to demand discounts on products, creating value that can then be passed on to Home Depot's customers in the form of everyday low prices that can only be matched by Lowe's.

Another aspect of The Home Depot's wide economic moat is that they are resilient o the threat of e-commerce; They're "Amazon-proof". Most of the products that Home Depot offers, such as lumber, are cost inefficient for e-commerce giants like Amazon to ship. The Home Depot also has an answer for those products that can be easily sold online, and that's their One Home Depot initiative. With One Home Depot, Home Depot gains a competitive advantage against general e-commerce companies by creating an ecosystem to benefit the customer. This eco-system not only addresses Home Depot's e-commerce problems, but also boosts customer satisfaction and incentivizes customer loyalty which leads to growth for the company.

One Home Depot

One Home Depot is the name of Home Depot's $11 billion strategy to drive growth. The initiative was announced in late 2017 and aims to invest in their stores, associates, digital experience, and supply chain. The goal of this investment is to:

- Connect associates to customer needs
- Expand their interconnected experiences: stores to online,
  online to stores
- Connect products and services to customer needs
- Connect product to shelf, site and customer
- Innovate their business model and value chain

The One Home Depot initiative and the investment is already yielding results in Home Depot stores. One technology developed as part of the initiative is the improved Home Depot mobile application. The app now supports functions such as in store maps that can lead you exactly to the product you are looking for. The app can also tell you ahead of time whether the product you're looking for is in stock and how much of the product is available. Another pillar of the One Home Depot initiative is: "to create the fastest and most efficient delivery capabilities in home improvement" (Home Depot, 2017). The Home Depot is working towards this by enhancing their inventory management system to leverage the benefits of their 200 distribution centers and over 2,000 stores.

Recent Acquisitions

The Home Depot has made a number of acquisitions in order to add to their competitive edge. Management has shown that they are constantly evaluating their strengths and weaknesses and evaluating how to best improve the company, whether it be through developing a "home grown" solution, such as One Home Depot, or through acquiring a company that has the specific skill set that management believes Home Depot needs. The following are three acquisitions that we believe will continue to develop Home Depot's strengths:

The Company Store - Acquired in 2017 for $109 Million, The Company Store was a leader in online textiles and home decor products. This acquisition has allowed Home Depot to greatly increase their decor offerings while also allowing Home Depot to leverage the company's web presence.

Compact Power Equipment - Compact Power Equipment was acquired in 2017 for $265 Million and was an equipment rental and maintenance company. This acquisition was aimed to boost customer satisfaction, particularly the pros segment of customers, and helped Home Depot enhance their equipment and tool rental offerings.

Interline Brands - Interline Brands was a big acquisition in 2015. The company was acquired for $1.6 Billion and was a large-scale distributor of maintenance products. This acquisition has been widely accepted as a success due to it increasing Home Depot's maintenance, repairs and operation supplies capabilities. Interline Brands also increased Home Depot's last mile delivery capabilities.

Current Standing Within the Industry

We believe that Home Depot is well positioned for growth. In the Competitive Advantages section, we mentioned several reasons why we believe Home Depot to be a better company than Lowe's. In addition to those quantitative factors there are qualitative factors that further support our theory.

In late 2018, Lowe's announced that they would be closing 51 stores. Part of the justification of these closures were due to the fact that most of those Lowe's were within a ten-mile radius of another Lowe's, but it was a negative signal nonetheless. Lowe's has also started to take lessons from The Home Depot. Lowe's current CEO Marvin Ellison was a high-ranking officer at Home Depot for over 12 years and has openly stated that he would like to implement strategies from the Home Depot play book wherever possible. We believe this to be another weak signal because it shows that Lowe's is effectively playing catch up with Home Depot, and if their main focus is to catch up and achieve what Home

Depot has already done, it shows that they are not innovating in a way that would surpass what Home Depot is currently doing.

VALUATION

Figure 2 shows a summary of our scenarios and what weight was assigned to each scenario. On the date of our original stock pitch, the price of Home Depot was $184.64 per share. Using our target price of $224.91, we calculated the margin of safety on this investment to be about 22%.

Our full DCF model can be found in Appendix A. For our projections we used a combination of consensus projections and our own opinions to arrive at expected growth rates and ratios. For revenue projections we began to decelerate revenue growth which was in line with expert consensus.

Scenario	Probabilities	DCF	EBITDA	Value
Bullish	25%	178.80	209.18	193.99
Base case	50%	207.53	237.69	222.61
Bearish	25%	246.50	274.36	260.43
		Target Price		**224.91**

Figure 2

However, after 2022 we begin to see a rebound in the revenue growth rate after dropping to 3.3%. The thought process behind this rebound is to be in line with the overall economic cycle.

Given our prior modeling experience, we realize the impact that the perpetual growth rate can have on our final target price. We wanted to take a conservative estimate for this growth rate, even in our base case. To formulate our perpetual growth rate, we started with the base being the US real GDP growth rate. Our long-term expectation is that the US real GDP will grow at a minimum of 2.5% well into the future. With that as a base we also estimated the Home Depot will grow its revenue at least .5% faster than the US grows its real GDP. Adding the two gives us our terminal growth rate of 3% in a base case and then we added/subtracted 30 basis points for bull/base cases.

RISKS

We have identified the following risks that could negatively impact Home Depot's operations, ability to generate or increase revenue, and our investment thesis:

Failure to Properly Implement Initiatives:

Home Depot has made significant investments in their One Home Depot initiative and recent acquisitions. There is a risk of short-term disruption of operations as a result of the implementation of these initiatives. There is also a risk that these initiatives could fail or fail to provide their intended benefit.

Technology Failure:

Failure of information technology systems, customer facing technology, or supply chain could impair Home Depot's operations, interconnected retail strategy, and e-commerce sales channel.

Failure to Attract and Retain Qualified Associates

Home Depot's ability to employ qualified associates who can provide industry-leading customer service is critical to maintain their status as the #1 home improvement retailer. Additionally, external factors including wage and insurance costs could affect their ability to control labor costs.

Failure to Adapt

The Home Improvement industry is highly competitive and concentrated. The Home Depot may not be able to maintain its market share if it cannot adapt to changing customer demands, needs, and trends. Additionally, strong completion may have an adverse effect on Home Depot's pricing power.

CORPORATE SOCIAL RESPONSIBILITY

The Home Depot has established 3 pillars for their ESG strategy: Focus on People, Strengthen Communities, and operate sustainably. The company is focused on reducing their environmental impact by operating sustainably and selling products that meet and exceed environmental standards. The environmental non-profit CDP ranked Home Depot "A" on its Climate Change List for their actions to reduce carbon emissions and mitigate climate risks. In addition to being environmentally conscious, The Home Depot is focused on supporting veterans, providing disaster relief, and training tradespeople.

- 35,000 of The Home Depot's employees are U.S. veterans or reservists, and they have committed $500 million to veteran causes by 2025
- They have committed $50 million to train 20,000 tradespeople over the next ten years
- In 2017, they committed over $3 million to disaster relief after hurricanes Harvey, Maria, and Irma

Management

Craig Menear
CEO & President

Carol B. Tomé
Chief Financial Officer

Ann-Marie Campbell
VP of U.S. Stores

Matt Carey
Chief Information Officer

Conclusion

In conclusion, we believe that The Home Depot is the most attractive investment opportunity in the Home Improvement industry. We have analyzed The Home Depot, Inc. using qualitative and quantitative approaches and after modeling our expectations of the company we found a positive margin of safety, indicating that the company is currently undervalued. We have a positive outlook for the industry as a whole given our economic outlook, and we strongly believe that Home Depot will outperform Lowe's. Our investment thesis for investing in this industry boils down to the Home Improvement industry having a wide economic moat that protects it from fierce e-commerce competition with the likes of Amazon.

After choosing the Home Improvement industry, we identified that the question becomes whether to invest in Home Depot, or Lowe's. One reason behind our belief that Home Depot is a more attractive investment than Lowe's is because of their current place within the industry. Home Depot outperforms Lowe's in most quantitative metrics. From our qualitative analysis, we concluded that Home Depot is innovating while Lowe's is simply playing catch up. The One Home Depot initiative is a great example of Home Depot's innovative mindset. It shows that Home Depot is focused on the maximizing efficiency and customer satisfaction. The Home Depot is a truly nimble company that is well positioned to continue dominating in an industry that will continue to grow, and that is why we have issued a BUY recommendation.

Appendix A: DCF Model

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Revenue (Estimate Comparable)	**74,754.00**	**78,812.00**	**83,176.00**	**88,519.00**	**94,595.00**	**100,904.00**	**108,169.09**	**113,036.70**	**117,332.09**	**121,204.05**	**126,052.21**	**131,850.61**	
% YoY Growth		5.4%	5.5%	6.4%	6.9%	6.7%	7.2%	4.5%	3.8%	3.3%	4.0%	4.6%	
(-) Cost of Revenue	48,912	51,897.00	54,787.00	58,254.00	62,282.00	66,548.00	71,229.34	74,366.84	77,051.98	79,425.01	82,513.78	86,256.67	
% of Revenue	65.43%	65.85%	65.87%	65.81%	65.84%	65.95%	65.85%	65.79%	65.67%	65.53%	65.46%	65.42%	
(=) Gross Profit	**25,842.00**	**26,915.00**	**28,389.00**	**30,265.00**	**32,313.00**	**34,356.00**	**36,939.74**	**38,669.85**	**40,280.11**	**41,779.04**	**43,538.43**	**45,593.94**	
% Margin	34.57%	34.15%	34.13%	34.19%	34.16%	34.05%	34.15%	34.21%	34.33%	34.47%	34.54%	34.58%	
(-) Operating Expenses/Income	17,979.00	17,749.00	17,887.00	18,491.00	18,886.00	19,675.00	20,389.87	20,629.20	20,885.11	20,907.70	21,680.98	22,651.94	
% of Revenue	24.05%	22.52%	21.51%	20.89%	19.97%	19.50%	18.85%	18.25%	17.80%	17.25%	17.20%	17.18%	
(=) Operating Income	**7,863.00**	**9,166.00**	**10,502.00**	**11,774.00**	**13,427.00**	**14,681.00**	**16,549.87**	**18,040.66**	**19,394.99**	**20,871.34**	**21,857.45**	**22,942.01**	
% Margin	10.52%	11.63%	12.63%	13.30%	14.19%	14.55%	15.30%	15.96%	16.53%	17.22%	17.34%	17.40%	
(-) Tax on Operating Income	2,662.55	3,082.00	3,642.55	4,012.00	4,534.00	4,941.00	4,302.97	4,690.57	5,042.70	5,426.55	5,682.94	5,964.92	
% Tax Rate	36.72%	36.40%	36.39%	36.40%	36.30%	24.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	
(=) NOPAT	**5,200.45**	**6,084.00**	**6,859.45**	**7,762.00**	**8,893.00**	**9,740.00**	**12,246.90**	**13,350.09**	**14,352.30**	**15,444.79**	**16,174.52**	**16,977.09**	
% Margin	6.96%	7.72%	8.25%	8.77%	9.40%	9.65%	11.32%	11.81%	12.23%	12.74%	12.83%	12.88%	
(+) Depreciation & Amortization	1,684.00	1,757.00	1,786.00	1,863.00	1,973.00	2,062.00	2,379.72	2,577.24	2,651.71	2,690.73	2,773.15	2,874.34	
% of Revenue	2.25%	2.23%	2.15%	2.10%	2.09%	2.04%	2.20%	2.28%	2.26%	2.22%	2.20%	2.18%	
(-) Capital Expenditure	1,312.00	1,389.00	1,442.00	1,503.00	1,621.00	1,897.00	2,499.97	2,967.53	3,054.08	3,078.58	3,151.31	3,230.34	
% of Revenue	1.76%	1.76%	1.73%	1.70%	1.71%	1.88%	2.31%	2.63%	2.60%	2.54%	2.50%	2.45%	
(-) Changes in Net Working Capital	(450.00)	(103.00)	4.00	40.00	(373.00)	(400.00)	(865.35)	(621.70)	(176.00)	(121.20)	(138.66)	(158.22)	
% of Revenue	-0.60%	-0.13%	0.00%	0.05%	-0.39%	-0.40%	-0.80%	-0.55%	-0.15%	-0.10%	-0.11%	-0.12%	
(+) Changes in Net Long Term Deferre	-	146.00	126.00	215.00	(601.00)	116.00	86.54	73.47	58.67	54.54	52.94	52.74	
% of Revenue	0.00%	0.19%	0.15%	0.24%	-0.64%	0.11%	0.08%	0.07%	0.05%	0.05%	0.04%	0.04%	
(=) Free Cash Flow	**6,022.45**	**6,701.00**	**7,325.45**	**8,297.00**	**9,017.00**	**10,421.00**	**13,078.54**	**13,654.97**	**14,184.58**	**15,232.68**	**15,987.96**	**16,832.05**	**16,058.30**
% Margin	8.06%	8.50%	8.81%	9.37%	9.53%	10.33%	12.09%	12.08%	12.09%	12.57%	12.68%	12.77%	
% of the Free Cash Flow to be discounted							91.67%	100.00%	100.00%	100.00%	100.00%	8.33%	
Period for Discount Factor (Mid-Year Convention)							0.46	1.42	2.42	3.42	4.42	4.96	
Discount Factor							0.96	0.89	0.82	0.76	0.70	0.67	
Present Value of Free Cash Flow (5 Years)							11,553.56	12,180.52	11,672.46	11,563.60	11,196.45	940.31	
8.40%													
EBITDA	**9,547.00**	**10,923.00**	**12,288.00**	**13,637.00**	**15,400.00**	**16,743.00**	**18,929.59**	**20,617.89**	**22,046.70**	**23,562.07**	**24,630.60**	**25,816.35**	**24,729.41**
% Margin	12.77%	13.86%	14.77%	15.41%	16.28%	16.59%	17.50%	18.24%	18.79%	19.44%	19.54%	19.58%	

Perpetuity Growth Method - Value per Share		
Free Cash Flow at Year 5		16,058.30
WACC		8.40%
Perpetuity Growth Rate		3.00%
Perpetuity Value at End of Year 5		306,297.19
Present Value of Perpetuity		204,642.86
(+) Present Value of Free Cash Flows		59,106.90
(=) Current Enterprise Value	263,749.76	
Short Term Debt		2,761.00
(+) Long Term Debt		24,267.00
(-) Cash and Marketable Securities		3,595.00
(-) Current Net Debt		23,433.00
(-) Current Preferred and Minority Interest		-
(=) Equity Value		240,316.76
Shares outstanding		1,158.00
Estimated Value per Share (USD)	207.53	
Current Price (USD)		175.31
Estimated Upside	18%	

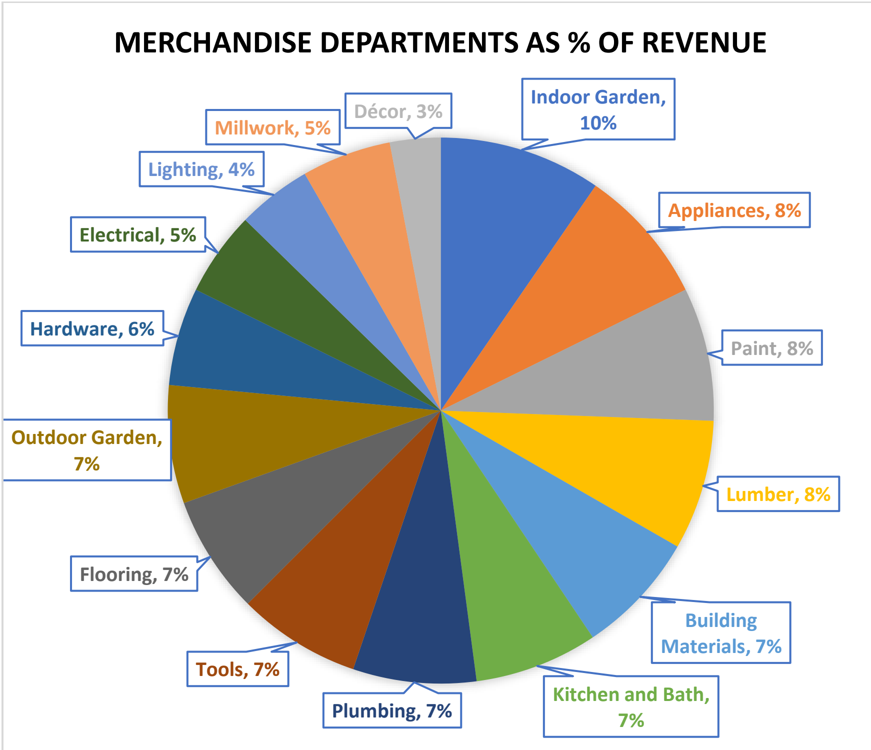
Terminal EBITDA Method		
Terminal EBITDA at Year 5		24,729.41
WACC		8.40%
Exit Enterprise Value / EBITDA		14.50
Terminal Value at End of Year 5		358,576.51
Present Value of Terminal Value		239,571.65
(+) Present Value of Free Cash Flows		59,106.90
(=) Current Enterprise Value	298,678.55	
Short Term Debt		2,761.00
(+) Long Term Debt		24,267.00
(-) Cash and Marketable Securities		3,595.00
(-) Current Net Debt		23,433.00
(-) Current Preferred and Minority Interest		-
(=) Equity Value		275,245.55
Shares outstanding		1,158.00
Estimated Value per Share (USD)	237.69	
Current Price (USD)		175.31
Estimated Upside	36%	

WACC	Terminal Growth				
207.53	2.00%	2.50%	3.00%	3.50%	4.00%
7.50%	209.94	228.82	251.90	280.74	317.83
8.00%	191.25	206.69	225.23	247.88	276.19
8.40%	178.47	191.77	207.53	226.51	249.80
9.00%	162.14	172.93	185.53	200.41	218.27
9.50%	150.61	159.79	170.39	182.76	197.37

WACC	EBITDA Multiple				
237.69	13.5x	14x	14.5x	15x	15.5x
7.50%	231.62	239.06	246.50	253.93	261.37
8.00%	227.02	234.28	241.55	248.82	256.08
8.40%	223.42	230.56	237.69	244.82	251.96
9.00%	218.18	225.12	232.06	239.00	245.94
9.50%	213.94	220.72	227.51	234.29	241.07

Scenario	Probabilities	DCF	EBITDA	Value
Bullish	25%	178.80	209.18	193.99
Base case	50%	207.53	237.69	222.61
Bearish	25%	246.50	274.36	260.43
			Target Price	**224.91**

Appendix B: Merchandise Segments as % of Revenue



Appendix C: 2018 Consolidated Financial Statements

THE HOME DEPOT, INC.
CONSOLIDATED BALANCE SHEETS

in millions, except per share data	February 3, 2019	January 28, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 1,778	$ 3,595
Receivables, net	1,936	1,952
Merchandise inventories	13,925	12,748
Other current assets	890	638
Total current assets	18,529	18,933
Net property and equipment	22,375	22,075
Goodwill	2,252	2,275
Other assets	847	1,246
Total assets	$ 44,003	$ 44,529
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	$ 1,339	$ 1,559
Accounts payable	7,755	7,244
Accrued salaries and related expenses	1,506	1,640
Sales taxes payable	656	520
Deferred revenue	1,782	1,805
Income taxes payable	11	54
Current installments of long-term debt	1,056	1,202
Other accrued expenses	2,611	2,170
Total current liabilities	16,716	16,194
Long-term debt, excluding current installments	26,807	24,267
Deferred income taxes	491	440
Other long-term liabilities	1,867	2,174
Total liabilities	45,881	43,075
Common stock, par value $0.05; authorized: 10,000 shares; issued: 1,782 at February 3, 2019 and 1,780 shares at January 28, 2018; outstanding: 1,105 shares at February 3, 2019 and 1,158 shares at January 28, 2018	89	89
Paid-in capital	10,578	10,192
Retained earnings	46,423	39,935
Accumulated other comprehensive loss	(772)	(566)
Treasury stock, at cost, 677 shares at February 3, 2019 and 622 shares at January 28, 2018	(58,196)	(48,196)
Total stockholders' (deficit) equity	(1,878)	1,454
Total liabilities and stockholders' equity	$ 44,003	$ 44,529

THE HOME DEPOT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

in millions	Fiscal 2018	Fiscal 2017	Fiscal 2016
Common Stock:			
Balance at beginning of year	$ 89	$ 88	$ 88
Shares issued under employee stock plans	—	1	—
Balance at end of year	89	89	88
Paid-in Capital:			
Balance at beginning of year	10,192	9,787	9,347
Shares issued under employee stock plans	104	132	76
Tax effect of stock-based compensation	—	—	97
Stock-based compensation expense	282	273	267
Balance at end of year	10,578	10,192	9,787
Retained Earnings:			
Balance at beginning of year	39,935	35,519	30,973
Cumulative effect of accounting change	75	—	—
Net earnings	11,121	8,630	7,957
Cash dividends	(4,704)	(4,212)	(3,404)
Other	(4)	(2)	(7)
Balance at end of year	46,423	39,935	35,519
Accumulated Other Comprehensive Income (Loss):			
Balance at beginning of year	(566)	(867)	(898)
Foreign currency translation adjustments	(267)	311	(3)
Cash flow hedges, net of tax	53	(1)	34
Other	8	(9)	—
Balance at end of year	(772)	(566)	(867)
Treasury Stock:			
Balance at beginning of year	(48,196)	(40,194)	(33,194)
Repurchases of common stock	(10,000)	(8,002)	(7,000)
Balance at end of year	(58,196)	(48,196)	(40,194)
Total stockholders' (deficit) equity	$ (1,878)	$ 1,454	$ 4,333

THE HOME DEPOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

in millions	Fiscal 2018	Fiscal 2017	Fiscal 2016
Cash Flows from Operating Activities:			
Net earnings	$ 11,121	$ 8,630	$ 7,957
Reconciliation of net earnings to net cash provided by operating activities:			
Depreciation and amortization	2,152	2,062	1,973
Stock-based compensation expense	282	273	267
Impairment loss	247	—	—
Changes in receivables, net	33	139	(138)
Changes in merchandise inventories	(1,244)	(84)	(769)
Changes in other current assets	(257)	(10)	(48)
Changes in accounts payable and accrued expenses	743	352	446
Changes in deferred revenue	80	128	99
Changes in income taxes payable	(42)	29	109
Changes in deferred income taxes	26	92	(117)
Other operating activities	(103)	420	4
Net cash provided by operating activities	13,038	12,031	9,783
Cash Flows from Investing Activities:			
Capital expenditures, net of non-cash capital expenditures	(2,442)	(1,897)	(1,621)
Payments for businesses acquired, net	(21)	(374)	—
Proceeds from sales of property and equipment	33	47	38
Other investing activities	14	(4)	—
Net cash used in investing activities	(2,416)	(2,228)	(1,583)
Cash Flows from Financing Activities:			
(Repayments of) proceeds from short-term debt, net	(220)	850	360
Proceeds from long-term debt, net of discounts	3,466	2,991	4,959
Repayments of long-term debt	(1,209)	(543)	(3,045)
Repurchases of common stock	(9,963)	(8,000)	(6,880)
Proceeds from sales of common stock	236	255	218
Cash dividends	(4,704)	(4,212)	(3,404)
Other financing activities	(26)	(211)	(78)
Net cash used in financing activities	(12,420)	(8,870)	(7,870)
Change in cash and cash equivalents	(1,798)	933	330
Effect of exchange rate changes on cash and cash equivalents	(19)	124	(8)
Cash and cash equivalents at beginning of year	3,595	2,538	2,216
Cash and cash equivalents at end of year	$ 1,778	$ 3,595	$ 2,538
Supplemental Disclosures:			
Cash paid for income taxes	$ 3,774	$ 4,732	$ 4,623
Cash paid for interest, net of interest capitalized	1,035	991	924
Non-cash capital expenditures	248	150	179