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**SMU | COX**  
SCHOOL OF BUSINESS

**FIVE GUYS AND A FRAN FRY**  
**Home Depot / Lowes Homework**

**For**

**Financial Accounting**  
**BA6322-604-1197**

**Class 2021**

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## Summarization of the Industry:

The Home Depot, Inc. and Lowes Companies, Inc. compete in the home improvement retail. Both Companies sell a wide assortment of building materials, home improvement products, lawn and garden products, and provide home improvement professional services. Lowes and Home Depot have a global footprint. Each company strives to be the best in product quality, professional services, customer service and customer loyalty.

Both companies are similar in their selling channels. From the Lowes 2013 Annual Report their focus is on In Store, On-Line, On-Site and Contact Centers. From the Home Depot 2013 Annual Report is the same as Lowes. Both companies have seasonality considerations and market the quality of their products. There are differences as well. Home Depot seems to be more focused on the customer. Customer Service is addressed as a separate business strategy while Lowes doesn't address it in the same detail. Home depot has an additional strategy of interconnected retail. This focuses on the sophisticated customer purchase behaviors. Lowes doesn't specifically articulate a strategy or seem to focus on the customer.

## Common Size Balance Sheet and Comments:

The common size balance sheet is in Appendix E.

Home Depot's Current Assets are higher than Lowes for both 2013 and 2014. The total assets are different; Home Depot is between \$8 - \$10 Billion higher than Lowes in each year. Home Depot has a significant increase in Total Liabilities in 2013 and is higher in percentage and value than Lowes. Home Depot's Long-Term Debt significantly increases from 2012 to 2013. Both companies Stock Holder Equity decreased. Home Depot decreased Stock Holder Equity by almost 30% while Lowes decreased by 14%. Lowes Account Receivable is assumed by General Electric who purchased the account, while Home Depot still manages their Account Receivables.

## ROE Decomposition Model:

### Home Depot

	2012	2013
Return on Shareholders' Equity	0.255	0.430
Return on Assets	0.110	0.133
Return on Sales	0.061	0.068
Asset Turnover	1.820	1.945
Leverage	2.311	3.236

### Lowe's

	2012	2013
Return on Shareholders' Equity	0.141	0.193
Return on Assets	0.061	0.070
Return on Sales	0.038	0.043
Asset Turnover	1.547	1.632
Leverage	2.357	2.761

Home Depot has a significantly higher Return on Shareholders' Equity (ROE) than Lowe's for both 2012 and 2013. In comparing Home Depot to Lowe's, Home Depot's Net Income is significantly higher while the Shareholders' Equity (SE) is roughly the same between the two companies. Home Depot's Total Assets are significantly higher than Lowe's which is reflected in the Leverage Ratio. Home Depot's Total Assets is so much larger than Lowe's and Home Depot's SE decreased by almost 30% between 2012 and 2013.

## Common Size Income Statement and Profitability:

The common size income statement is in Appendix F.

### Home Depot

There are several line items that stand out. In 2013, Sales and General Administration (SG&A) is ~21% of Sales, Total Operating Expenses are ~23%, and provision for Income Taxes is ~4% in 2013. Total Operating Expenses remained about the same between 2012 and 2013. Bottom line net income is ~\$5.3B and ~6.8% of Sales in 2013 and increased ~18% from 2012 to 2013.

	2012	2013
Gross Profit Margin	0.346	0.348
Operating Profit Margin	0.104	0.116

↑ Explain in terms of ROA, ROS, AT -2

H/D

## Lowes

In 2013 SG&A was ~24% and Total Expenses was ~28% and increased ~4% from 2012 to 2013. Lowes provision for income taxes was ~2.6% in 2013. The bottom-line net incomes was ~4.2% of Sales and increases ~17% from 2012 to 2013.

	2012	2013
Gross Profit Margin	0.343	0.346
Operating Profit Margin	0.069	0.078

The Gross Profit Margin between the two companies is about the same which indicates the cost of goods sold (COGS) is proportionally similar. The Operating Profit Margin (OPM) is different. Home Depot has a significantly higher OPM than Lowes. The biggest difference is SG&A for Lowes. Proportionally SG&A is higher compared to Sales. Depreciation and Amortization is about the same by value which means for Lowes it is a proportionally higher expense. Home Depot is more profitable.

## Receivable, Inventory and PPE Turnover:

### Home Depot

	2012	2013
Receivables Turnover	53.587	56.375
Inventory Turnover	4.567	4.651
PPE Turnover	3.106	3.376
Return on Assets	0.110	0.133
Cash from Balance Sheet	\$2494	\$1929

### Lowes

	2012	2013
Receivables Turnover	N/A	N/A
Inventory Turnover	3.860	3.828
PPE Turnover	2.357	2.564
Return on Assets	0.061	0.070
Cash from Balance Sheet	\$391	\$511

Home Depot uses their assets more effectively than Lowes.

Home Depots' comparable ratios for asset utilization are higher except for PPE Turnover in 2012 but, significantly increased in 2013 because Sales increased, and PPE decreased. One glaring asset is cash. Lowes cash is significantly less than Home Depot by a factor of ~4.5 to ~4.9. In comparing inventory turnover, even though Lowes has less inventory overall it also has less sales. Home Depot turns over their inventory more than Lowes. In 2013 Home Depot's Inventory Turnover Period is ~81 days vice Lowes which is ~95 days.

That affects total asset turnover but not other ratios mentioned here - 1/2

PPE also higher in 2012 - 1/2



## Liquidity Assessment:

### Home Depot

	2012	2013
Cash & Marketable Securities to Total Assets	0.047	0.048 ✓
Quick Ratio	0.290 •	0.310 ✓
Current Ratio	1.341	1.421 ✓
Payable Period	40.118	41.148 ✓
Operating Funds Ratio	1.538	1.417 ✓
Operating Cash to Current Liabilities	0.607	0.710 ✓

### Lowes

	2012	2013
Cash & Marketable Securities to Total Assets	0.020	0.018 ✓
Quick Ratio	0.125	0.103 -1/2
Current Ratio	1.269	1.160
Payable Period	51.208	52.314 •
Operating Funds Ratio	1.920	1.798 •
Operating Cash to Current Liabilities	0.488	0.463 •

Not correct amt.

Home Depot is more liquid and can service its short-term liabilities faster than Lowes.

In comparing Home Depot and Lowes liquidity Lowes comparable metrics are lower than Home Depot and trending in a negative direction. Home Depot has more cash equivalents to assets, can pay their liabilities faster and operating cash is higher compared to net income and current liabilities. Home Depots' Pay period is less than Lowes Payable Period by ~10 days. This is evident by the Accounts Payable Ratio (COGS divided by Accounts Payable). Lowes has proportionally more Accounts Payable which decreases the Accounts Payable Ratio. The higher the Accounts Payable Ratio the faster the company pays their suppliers. Since Home Depots' Accounts Payable Period is higher than Lowes, Home Depot pays their suppliers faster.

turn.

Cash Collection Period Calculation  
~~Calculation~~  
 Interpretation  
 Can Assume AR Days are 0 for Lowes & still calculate based on other days  
 -2

## Solvency Assessment:

### Home Depot

	2012	2013
Long-term Debt to Total Assets	0.263	0.363
Long-term Debt to Shareholders' Equity	0.607	1.176
Interest Coverage Ratio	12.426	8.574

### Lowes

	2012	2013
Long-term Debt to Total Assets	0.278	0.310
Long-term Debt to Shareholders' Equity	0.655	0.855
Interest Coverage Ratio	8.416	8.716

*-1/2 that's not a true story*

Home Depot had a significant increase in Long-term Debt in 2013. This takes away all the shareholders' equity for Home Depot shareholders. However, this does not affect the ability of Home Depot to pay off its long-term debt. In 2013 the comparable metrics for Home Depot are higher than Lowes however slightly. Both companies can cover its long term debt interest payments. Long-term debt compared total assets is less than 40% (36.3% for Home Depot, 31% for Lowes). Long-term debt greater than 33% seems high but both in 2012 both companies were slightly higher than 25%.

## Cash Flow Assessment:

### Home Depot

For operations in both 2012 and 2013 inventory is the single largest spend. For investing cash-flow capital expenditures are the single largest line-item spend. In 2013 there is a significant inflow if cash from Long-term debt borrowings. Additionally, there is a large re-purchase of common stock and a larger dividend was issued.

### Lowes

In both 2012 and 2013 inventory accounted for most of the cash spend for operations. Capital expenditures account for the largest single spend for investing cash flows followed closely by security purchases. For financing cash flows the largest single in-flow is from issuing long-term debt. There is a significant spend on repurchase of common stock.

### Company Comparison

Both companies make significant repurchases of common stock, but Lowes didn't issue as large of a dividend as Home Depot. Additionally, Home Depot re-purchased more common stock, by monetary value, by a factor of 2. The dividend by Home Depot was significantly larger than the previous year.

*(455) is working capital ad's not amt. spent on inventory -1/2 -1 need look at interest coverage to understand ability to handle debt cost*

Good!  
↑  
Both companies depreciate and amortize assets, but that cash is not actual in-flows and is an adjustment required by the Generally Accepted Account Principles (GAAP).

### Investment Decision:

Based on the income, profit margin, asset utilization, operations activity and financing activity we would invest in Home Depot. The risk with Home Depot is the long-term debt taking all stockholders' equity. However, this risk is mitigated by Home Depots' sales and operations performance.

### Loan Decision:

Based on the same criteria as the Investment Decision section, we would underwrite a loan for Home Depot. Home Depot has excellent cash flows and are very solvent.



## Appendix A – Home Depot Ratios 2013

<u>Balance Sheet</u>		Ratio	Definition	Numerator	Denominator	Calculation
Cash	\$ 1,829	<u>ROE MODEL</u>	Return on shareholders' equity (ROE)	Net Income	6,365	$\times$ 0.430
Marketable Securities	\$ -			Shareholders' equity	12,522	
Net AR	\$ 1,308					
Net Inventory	\$ 11,037					
Current Assets	\$ 13,378					
Net PPE	\$ 23,248	Return on assets (ROA)	Net Income	6,365	40,518	$\times$ 0.156
Total Assets	\$ 40,518			Total assets		
Accounts Payable	\$ 9,787	Leverage	Total assets	40,518	12,522	$\times$ 3.238
Current Portion Long Term Debt	\$ 33			Shareholders' equity		
Current Liabilities	\$ 10,746	Profitability	Net Income	6,365	78,812	$\times$ 0.081
Long Term Debt	\$ 14,831			Net sales		
Shareholder Equity	\$ 12,522	Sales Growth	Sales - Last Year's Sales	4,058	74,754	$\times$ 0.054
				Last Year's Sales		
<u>Income Statement</u>		Dividend retention rate	Net Income - Dividends	3,142	5,363	$\times$ 0.583
Net Sales	\$ 78,812			Net Income		
COGS	\$ 51,422	Sustainable growth rate	Net Income - Dividends	3,142	12,522	$\times$ 0.251
Operating Profit	\$ 9,188			Shareholders' Equity		
Interest Expense	\$ 711	Gross Profit Margin	Sales - Cost of Goods Sold	27,390	78,812	$\times$ 0.348
Net Income before Taxes	\$ 8,467			Sales		
Net Income	\$ 9,303	Operating Profit Margin	Operating Profit	9,188	78,812	$\times$ 0.116
Last Year Sales	\$ 74,754			Sales		
<u>Cash Flow Statement</u>		Asset Management	Net sales	78,812	40,518	$\times$ 1.945
Cash Flow from Operations	\$ 7,629			Total assets		
Dividends	\$ 2,243	Asset turnover	Net sales	78,812	1,308	$\times$ 59.575
				Net accounts receivable		
		Accounts receivable turnover	365	365,000	56.375	$\times$ 6.475
				Accounts receivable turnover		
		Inventory turnover	Cost of goods sold	51,422	11,037	$\times$ 4.651
				Net inventory		
		Inventory on hand period	365	365	4.651	$\times$ 78.464
				Inventory turnover		
		PPE turnover	Net sales	78,812	23,248	$\times$ 3.379
				Net PPE		
<u>Liability</u>		Cash and marketable securities to total assets	Cash + Marketable securities	1,829	40,518	$\times$ 0.045
				Total assets		
		Quick ratio	Cash + Marketable securities + Net accounts receivable	3,377	10,746	$\times$ 0.310
				Current liabilities		
		Current ratio	Current assets	14,378	10,746	$\times$ 1.421
				Current liabilities		
		Accounts payable turnover	Cost of goods sold	51,422	5,767	$\times$ 8.870
				Accounts payable		
		Days' payable period	365	365	8.870	$\times$ 41.148
				Accounts payable turnover		
		Cash collection period	Inventory-on-hand period	78.464	6.475	$\times$ 43.811
				Accounts receivable period		
				Days' payable period		
		Operating funds ratio	Cash flow from operations	7,629	6,365	$\times$ 1.417
				Net income		
		Op Cash Flow to Cur. Liab.	Cash flow from operations	7,629	10,746	$\times$ 0.710
				Current liabilities		
<u>Debt/Equity</u>		Long-term debt to total assets	Long-term debt + Current portion of long-term debt	14,734	40,518	$\times$ 0.363
				Total assets		
		Long-term debt to shareholders' equity	Long-term debt + Current portion of long-term debt	14,734	12,522	$\times$ 1.176
				Shareholders' equity		
		Interest coverage ratio	Net income before taxes + Interest expense	6,179	711	$\times$ 12.850
				Interest expense		

## Appendix B – Home Depot Ratios 2012

<u>Balance Sheet</u>		Rate	Definition	Numerator	Denominator	Calculation
Cash	\$ 2,494					
Marketable Securities	\$ -					
Net AR	\$ 1,380	<b>ROE MODEL:</b>				
Net Inventory	\$ 10,716					
Current Assets	\$ 15,372	Ratio on shareholders' equity (ROE)	Net Income	4,535	17,777	0.255
			Shareholders' equity			
Net PPE	\$ 24,009		Net Income	4,535		
Total Assets	\$ 41,084	Return on assets (ROA)	Total assets	41,084		0.110
Accounts Payable	\$ 5,378	Leverage	Total assets	41,084		2.311
Current Portion Long Term Debt	\$ 1,321		Shareholders' equity	17,777		
Current Liabilities	\$ 11,462	<b>Profitability</b>				
Long Term Debt	\$ 8,479	Return on sales (ROS)	Net Income	4,535		0.081
		(aka profit margin)	Net sales	74,754		
Shareholder Equity	\$ 17,777	Sales Growth	Sales - Last Year's Sales	4,558	70,305	0.065
			Last Year's Sales			
<u>Income Statement</u>						
Net Sales	\$ 74,754	Dividend retention rate	Net Income - Dividends	2,782	4,535	0.616
COGS	\$ 48,912		Net Income	4,535		
Operating Profit	\$ 7,788	Sustainable growth rate	Net Income - Dividends	2,782		0.157
Interest Expense	\$ 632		Shareholders' Equity	17,777		
Net Interest Income Taxes	\$ 7,221					
Net Income	\$ 4,535	Gross Profit Margin	Sales - Cost of Goods Sold	25,842	74,754	0.346
Last Year Sales	\$ 70,305		Sales	74,754		
<u>Cash Flow Statement</u>		Operating Profit Margin	Operating Profit	7,788	74,754	0.104
Cash Flow from Operations	\$ 8,975	<b>Asset Management</b>	Sales	74,754		
Dividends	\$ 1,742	Asset turnover	Net sales	74,754	41,084	1.820
			Total assets			
		Receivable turnover	Net sales	74,754	7,305	53.567
			Net accounts receivable			
		Receivable collection period	365	365,000	53.567	6.811
			Receivable turnover			
		Inventory turnover	Cost of goods sold	48,912	10,716	4.567
			Net inventory			
		Inventory on hand period	365	365	4.567	79.822
			Inventory turnover			
		PPE turnover	Net sales	74,754	24,009	3.100
			Net PPE			
<u>Liability</u>						
Cash and marketable securities to total assets			Cash + Marketable securities	2,494	41,084	0.061
			Total assets			
Quick ratio			Cash + Marketable securities + Net accounts receivable	3,869	11,462	0.339
			Current liabilities			
Current ratio			Current assets	15,372	11,462	1.341
			Current liabilities			
Accounts payable turnover			Cost of goods sold	48,912	5,378	9.098
			Accounts payable			
Days' payable period			365	365	9.098	43.118
			Accounts payable turnover			
Cash collection period			Inventory-on-hand period	79.822	6.811	49.816
			Receivable collection period			
			Days' payable period	43.118		
Operating funds ratio			Cash flow from operations	8,975	4,535	1.536
			Net income			
Op Cash Flow to Cur. Liab			Cash flow from operations	8,975	11,462	0.806
			Current liabilities			
<u>Solvency</u>						
Long-term debt to total assets			Long-term debt + Current portion of long-term debt	10,798	41,084	0.263
			Total assets			
Long-term debt to shareholders' equity			Long-term debt + Current portion of long-term debt	10,798	17,777	0.607
			Shareholders' Equity			
Interest coverage ratio			Net income before taxes + Interest expense	7,853	632	12.428
			Interest expense			

## Appendix C – Lowes Ratios 2013

Balance Sheet		Ratio	Definition	Numerator	Denominator	Calculation
Cash	\$ 301					
Marketable Securities	180					
Net AR	\$ -	ROE MODEL				
Net Inventory	\$ 8,127					
Current Assets	\$ 10,206	Return on shareholders' equity (ROE)	Net Income	2,288	11,853	= 0.193
			Shareholders' equity			
Net PPE	\$ 32,834	Return on assets (ROA)	Net Income	2,288	32,732	= 0.070
Total Assets	\$ 32,732		Total assets			
Accounts Payable	\$ 3,526	Leverage	Total assets	32,732	11,853	= 2.761
Current Portion Long Term Debt	\$ 40	Profitability	Shareholders' equity			
Current Liabilities	\$ 8,676	Return on sales (ROS)	Net Income	2,288	53,417	= 0.043
Long Term Debt	\$ 10,000	(aka profit margin)	Net sales			
Shareholders' Equity	\$ 11,853	Sales Growth	Sales - Last Year's Sales	2,885	51,521	= 0.057
			Last Year's Sales			
Income Statement						
Net Sales	\$ 53,417	Dividend retention rate	Net Income - Dividends	1,543	2,288	= 0.676
COGS	\$ 34,841		Net income			
Operating Profit	\$ 4,148	Sustainable growth rate	Net Income - Dividends	1,543	11,853	= 0.131
Interest Expense	\$ 478		Shareholders' Equity			
Net Income before Taxes	\$ 3,673					
Net Income	\$ 2,288	Gross Profit Margin	Sales - Cost of Goods Sold	18,476	53,417	= 0.346
Last Year Sales	\$ 50,521		Sales			
Cash Flow Statement		Operating Profit Margin	Operating Profit	4,148	53,417	= 0.078
Cash Flow from Operations	\$ 4,111	Asset Management	Sales			
Dividends	\$ 733	Asset Turnover	Net sales	53,417	32,732	= 1.632
			Total assets			
		Receivable Turnover	Net sales	53,417	-	= #DIV/0!
			Net accounts receivable			
		Receivable collection period	365	365,000	#DIV/0!	= #DIV/0!
			Receivable turnover			
		Inventory turnover	Cost of goods sold	34,841	8,127	= 3.828
			Net inventory			
		Inventory on hand period	365	365	5.828	= 62.314
			Inventory turnover			
		PPE turnover	Net sales	53,417	32,834	= 1.664
			Net PPE			
Liquidity						
Cash and marketable securities to total assets			Cash + Marketable securities	579	32,732	= 0.018
			Total assets			
Quick ratio			Cash + Marketable securities + Net accounts receivable	579	8,676	= 0.065
			Current liabilities			
Current ratio			Current assets	10,206	8,676	= 1.180
			Current liabilities			
Accounts payable turnover			Cost of goods sold	34,841	5,008	= 6.977
			Accounts payable			
Days' payable period			365	365	6.977	= 52.314
			Accounts payable turnover			
Cash collection period			Inventory-on-hand period	62.314	#DIV/0!	= #DIV/0!
			Receivable collection period			
			Days' payable period	52.314		
Operating funds ratio			Cash flow from operations	4,111	2,288	= 1.798
			Net income			
Op Cash Flow to Cur. Liab.			Cash flow from operations	4,111	8,676	= 0.463
			Current liabilities			
Solvency						
Long-term debt to total assets			Long-term debt + Current portion of long-term debt	10,135	32,732	= 0.310
			Total assets			
Long-term debt to shareholders' equity			Long-term debt + Current portion of long-term debt	10,135	11,853	= 0.855
			Shareholders' Equity			
Interest coverage ratio			Net Income before taxes + Interest expense	4,148	478	= 8.718
			Interest expense			

## Appendix D – Lowes Ratios 2012

<u>Balance Sheet</u>		Ratio	Definition	Numerator	Denominator	Calculation
Cash	\$ 541					
Marketable Securities	\$ 128					
Net AR	\$ -	<u>RCE MODEL</u>				
Net Inventory	\$ 8,800					
Current Assets	\$ 8,784	Return on shareholders' equity (ROE)	Net Income	1,959	13,857	0.141
			Shareholders' equity			
Net PPE	\$ 21,477	Return on assets (ROA)	Net Income	1,959		0.050
Total Assets	\$ 22,806		Total assets	32,806		
Accounts Payable	\$ 4,657	Leverage	Total assets	32,806		2.957
Current Portion Long Term Debt	\$ 47		Shareholders' equity	13,857		
Current Liabilities	\$ 7,708	<u>Profitability</u>				
Long Term Debt	\$ 8,000	Return on sales (ROS)	Net Income	1,959		0.036
		(aka preB margin)	Net sales	50,521		
Shareholder Equity	\$ 13,857	Sales Growth	Sales - Last Year's Sales	313	50,528	0.006
			Last Year's Sales	50,528		
<u>Income Statement</u>						
Net Sales	\$ 50,521	Dividend retention rate	Net Income - Dividends	1,255		0.641
COGS	\$ 33,184		Net Income	1,959		
Operating Profit	\$ 3,580	Sustainable growth rate	Net Income - Dividends	1,255		0.091
Interest Expense	\$ 423		Shareholders' Equity	13,857		
Net Income Before Taxes	\$ 3,137					
Net Income	\$ 1,959	Gross Profit Margin	Sales - Cost of Goods Sold	17,337		0.343
Last Year Sales	\$ 50,208		Sales	50,521		
		Operating Profit Margin	Operating Profit	3,580		0.070
			Sales	50,521		
<u>Cash Flow Statement</u>						
Cash Flow from Operations	\$ 3,782	<u>Asset Management</u>				
Dividends	\$ 704	Asset turnover	Net sales	50,521		1.947
			Total assets	32,806		
		Receivable turnover	Net sales	50,521		ACV/DI
			Net accounts receivable	-		
		Receivable collection period	365	365,000		ACV/DI
			Receivable turnover	60440		
		Inventory turnover	Cost of goods sold	33,184		3.800
			Net Inventory	8,800		
		Inventory on hand period	365	365		84.985
			Inventory turnover	3.800		
		PPE turnover	Net sales	50,521		2.352
			Net PPE	21,477		
<u>Liquidity</u>						
Cash and marketable securities as % of total assets			Cash + Marketable securities	669		0.020
			Total assets	32,806		
Quick ratio			Cash + Marketable securities + Net accounts receivable	669		0.080
			Current liabilities	7,708		
Current ratio			Current assets	8,784		1.260
			Current liabilities	7,708		
Accounts payable turnover			Cost of goods sold	33,184		7.128
			Accounts payable	4,657		
Days' payable period			365	365		51.208
			Accounts payable turnover	7.128		
Cash collection period			Inventory-on-hand period	84.985		ACV/DI
			Receivable collection period	ACV/DI		
			Days' payable period	51.208		
Operating funds ratio			Cash flow from operations	3,782		1.820
			Net Income	1,959		
Op Cash Flow to Cur. Liab			Cash flow from operations	3,782		0.488
			Current liabilities	7,708		
<u>Solvency</u>						
Long-term debt to total assets			Long-term debt + Current portion of long-term debt	8,077		0.278
			Total assets	32,806		
Long-term debt to shareholders' equity			Long-term debt + Current portion of long-term debt	8,077		0.555
			Shareholders' Equity	13,857		
Interest coverage ratio			Net Income before taxes + Interest expense	3,580		8.418
			Interest expense	423		

## Appendix E – Common Size Balance Sheet:

Home Depot			Lowe's		
2013	Common Size	% Change	2012	Common Size	% Change
\$ 1,929	4.7608%	-22.6544%	\$ 2,494	6.0705%	-27.7264%
\$ 1,398	3.4503%	0.2151%	\$ 1,395	3.3955%	48.0000%
\$ 11,057	27.2891%	3.2400%	\$ 10,710	26.0685%	6.1279%
\$ 895	2.2089%	15.7827%	\$ 773	1.8815%	16.1290%
\$ 15,279	37.7092%	-0.6050%	\$ 15,372	37.4160%	13.2890%
\$ 39,064	96.4115%	1.4887%	\$ 38,491	93.6885%	5.2310%
\$ 15,716	38.7877%	8.9724%	\$ 14,422	35.1037%	2.9939%
\$ 23,348	57.6238%	-2.9956%	\$ 24,069	58.5849%	2.9520%
\$ 1,289	3.1813%	10.1709%	\$ 1,170	2.8478%	0.8524%
\$ 602	1.4858%	27.2727%	\$ 473	1.1513%	16.6667%
\$ 40,518	100.0000%	-1.3777%	\$ 41,084	100.0000%	0.2020%
Assets					
Current Assets			Current Assets		
Cash and Cash Equiv			Cash and Cash Equiv		
Receivables			Short-Term Investments		
Merchandise			Inventories - net		
Inventories			Deferred Income Taxes - net		
Other Current Assets			Other Current Assets		
Total Current Assets			Total Current Assets		
PPE			Net PPE		
Less Accumulated Dep & Amort			Goodwill		
Net PPE			Long Term Investments		
Other Assets			Other Assets		
Total Assets			Total Assets		
Liab & Stake Holder Equity			Liab & Stake Holder Equity		
Current Liabilities			Current Liabilities		
Accounts Payable			Accounts Payable		
Accrued Salaries and Related Expenses			Accrued Compensation and employee benefits		
Sales Taxes Payable			Short Term Borrowings		
Deferred Revenue			Deferred Revenue		
Income Taxes Payable			Income Taxes Payable		
Current Long-Term Debt			Current Long-Term Debt		
Other Accrued Expenses			Other Current Liab		
Total Current Liabilities			Total Current Liabilities		
Long-Term Debt			Long-Term Debt		
Other Long-Term Liabilities			Deferred revenue - extended protection plans		
Deferred Income Taxes			Deferred Income Taxes		
Other Liabilities			Other Liabilities		
Total Liabilities			Total Liabilities		
Common Stock			Common Stock		
Paid-in Capital			Capital in excess of par		
Retained Earnings			Retained Earnings		
Accumulated Other Comprehensive Income			Accumulated Other Comprehensive (loss)/Income		
Treasury Stock			Treasury Stock		
Total Stockholders Equity			Total Stockholders Equity		
Total Liabilities & Stock Holder Equity			Total Liabilities & Stock Holder Equity		
\$ 40,518	100.0000%	-1.3777%	\$ 41,084	100.0000%	0.2020%
\$ 1,929	4.7608%	-22.6544%	\$ 2,494	6.0705%	-27.7264%
\$ 1,398	3.4503%	0.2151%	\$ 1,395	3.3955%	48.0000%
\$ 11,057	27.2891%	3.2400%	\$ 10,710	26.0685%	6.1279%
\$ 895	2.2089%	15.7827%	\$ 773	1.8815%	16.1290%
\$ 15,279	37.7092%	-0.6050%	\$ 15,372	37.4160%	13.2890%
\$ 39,064	96.4115%	1.4887%	\$ 38,491	93.6885%	5.2310%
\$ 15,716	38.7877%	8.9724%	\$ 14,422	35.1037%	2.9939%
\$ 23,348	57.6238%	-2.9956%	\$ 24,069	58.5849%	2.9520%
\$ 1,289	3.1813%	10.1709%	\$ 1,170	2.8478%	0.8524%
\$ 602	1.4858%	27.2727%	\$ 473	1.1513%	16.6667%
\$ 40,518	100.0000%	-1.3777%	\$ 41,084	100.0000%	0.2020%
\$ 5,797	14.3072%	7.8311%	\$ 5,376	13.0854%	7.5370%
\$ 1,428	3.5244%	0.9901%	\$ 1,414	3.4417%	17.1642%
\$ 396	0.9773%	-16.1017%	\$ 472	1.1489%	1.1793%
\$ 1,337	3.2988%	5.2756%	\$ 1,270	3.0912%	2.7524%
\$ 12	0.0296%	-45.4545%	\$ 22	0.0535%	8.2524%
\$ 33	0.0814%	-97.5019%	\$ 1,321	3.2154%	4.2553%
\$ 1,746	4.3092%	10.0189%	\$ 1,587	3.8628%	16.2914%
\$ 10,749	26.5290%	-6.2206%	\$ 11,462	27.8989%	15.1531%
\$ 14,691	36.2580%	55.0501%	\$ 9,475	23.0625%	11.6944%
\$ 2,042	5.0397%	-0.4388%	\$ 2,051	4.9923%	2.2302%
\$ 514	1.2686%	61.1285%	\$ 319	0.7785%	-36.0440%
\$ 27,996	69.0952%	20.1184%	\$ 23,307	56.7301%	11.0054%
\$ 88	0.2172%	0.0000%	\$ 88	0.2142%	-7.2072%
\$ 8,402	20.7365%	5.7121%	\$ 7,948	19.3457%	-100.0000%
\$ 23,180	57.2091%	15.6802%	\$ 20,038	48.7732%	-14.1334%
\$ 46	0.1135%	-88.4131%	\$ 397	0.9663%	-132.6923%
\$ (19,194)	-47.3715%	79.4838%	\$ (10,694)	-26.0296%	-0.0519%
\$ 12,522	30.9048%	-29.5607%	\$ 17,777	43.2699%	-14.4620%
\$ 40,518	100.0000%	-1.3777%	\$ 41,084	100.0000%	0.2020%
\$ 1,929	4.7608%	-22.6544%	\$ 2,494	6.0705%	-27.7264%
\$ 1,398	3.4503%	0.2151%	\$ 1,395	3.3955%	48.0000%
\$ 11,057	27.2891%	3.2400%	\$ 10,710	26.0685%	6.1279%
\$ 895	2.2089%	15.7827%	\$ 773	1.8815%	16.1290%
\$ 15,279	37.7092%	-0.6050%	\$ 15,372	37.4160%	13.2890%
\$ 39,064	96.4115%	1.4887%	\$ 38,491	93.6885%	5.2310%
\$ 15,716	38.7877%	8.9724%	\$ 14,422	35.1037%	2.9939%
\$ 23,348	57.6238%	-2.9956%	\$ 24,069	58.5849%	2.9520%
\$ 1,289	3.1813%	10.1709%	\$ 1,170	2.8478%	0.8524%
\$ 602	1.4858%	27.2727%	\$ 473	1.1513%	16.6667%
\$ 40,518	100.0000%	-1.3777%	\$ 41,084	100.0000%	0.2020%
\$ 5,797	14.3072%	7.8311%	\$ 5,376	13.0854%	7.5370%
\$ 1,428	3.5244%	0.9901%	\$ 1,414	3.4417%	17.1642%
\$ 396	0.9773%	-16.1017%	\$ 472	1.1489%	1.1793%
\$ 1,337	3.2988%	5.2756%	\$ 1,270	3.0912%	2.7524%
\$ 12	0.0296%	-45.4545%	\$ 22	0.0535%	8.2524%
\$ 33	0.0814%	-97.5019%	\$ 1,321	3.2154%	4.2553%
\$ 1,746	4.3092%	10.0189%	\$ 1,587	3.8628%	16.2914%
\$ 10,749	26.5290%	-6.2206%	\$ 11,462	27.8989%	15.1531%
\$ 14,691	36.2580%	55.0501%	\$ 9,475	23.0625%	11.6944%
\$ 2,042	5.0397%	-0.4388%	\$ 2,051	4.9923%	2.2302%
\$ 514	1.2686%	61.1285%	\$ 319	0.7785%	-36.0440%
\$ 27,996	69.0952%	20.1184%	\$ 23,307	56.7301%	11.0054%
\$ 88	0.2172%	0.0000%	\$ 88	0.2142%	-7.2072%
\$ 8,402	20.7365%	5.7121%	\$ 7,948	19.3457%	-100.0000%
\$ 23,180	57.2091%	15.6802%	\$ 20,038	48.7732%	-14.1334%
\$ 46	0.1135%	-88.4131%	\$ 397	0.9663%	-132.6923%
\$ (19,194)	-47.3715%	79.4838%	\$ (10,694)	-26.0296%	-0.0519%
\$ 12,522	30.9048%	-29.5607%	\$ 17,777	43.2699%	-14.4620%
\$ 40,518	100.0000%	-1.3777%	\$ 41,084	100.0000%	0.2020%



## Appendix F – Common Size Income Statement

Home Depot					Lowes				
2013	Common Size	% Change	2012	Common Size	2013	Common Size	% Change	2012	Common Size
\$ 78,812	100.0000%	5.4285%	\$ 74,754	100.0000%	\$ 53,417	100.0000%	5.7323%	\$ 50,521	100.0000%
\$ 51,422	65.2464%	5.1317%	\$ 48,912	65.4306%	\$ 34,941	65.4118%	5.2630%	\$ 33,194	65.7034%
\$ 27,390	34.7536%	10.2568%	\$ 24,842	33.2317%	\$ 18,776	35.1499%	8.3627%	\$ 17,327	34.2966%
Op Expenses					Expenses				
\$ 16,597	21.0590%	0.5391%	\$ 16,508	22.0831%	\$ 12,865	24.0841%	5.0719%	\$ 12,244	24.2355%
\$ 1,627	2.0644%	3.7628%	\$ 1,568	2.0975%	\$ 1,462	2.7370%	-4.0053%	\$ 1,523	3.0146%
\$ 18,224	23.1234%	0.8188%	\$ 18,076	24.1806%	\$ 476	0.8911%	12.5296%	\$ 423	0.8373%
\$ 9,166	11.6302%	18.0273%	\$ 7,766	10.3887%	\$ 14,803	27.7122%	4.3199%	\$ 14,190	28.0873%
Interest & Other Expenses					Interest & Other Expenses				
\$ (12)	-0.0152%	-40.0000%	\$ (20)	-0.0268%					
\$ 711	0.9021%	12.5000%	\$ 632	0.8454%					
\$ -	0.0000%	-100.0000%	\$ 67	0.0896%					
\$ 699	0.8869%	28.2569%	\$ 545	0.7291%					
Earnings before Inc Tax					Earnings before Inc Tax				
\$ 8,467	10.7433%	17.2552%	\$ 7,221	9.6597%	\$ 3,673	6.8761%	17.0864%	\$ 3,137	6.2093%
\$ 3,082	3.9106%	14.7431%	\$ 2,686	3.5931%	\$ 1,387	2.5966%	17.7419%	\$ 1,178	2.3317%
\$ 5,385	6.8327%	18.7431%	\$ 4,535	6.0666%	\$ 2,286	4.2795%	16.6922%	\$ 1,959	3.8776%