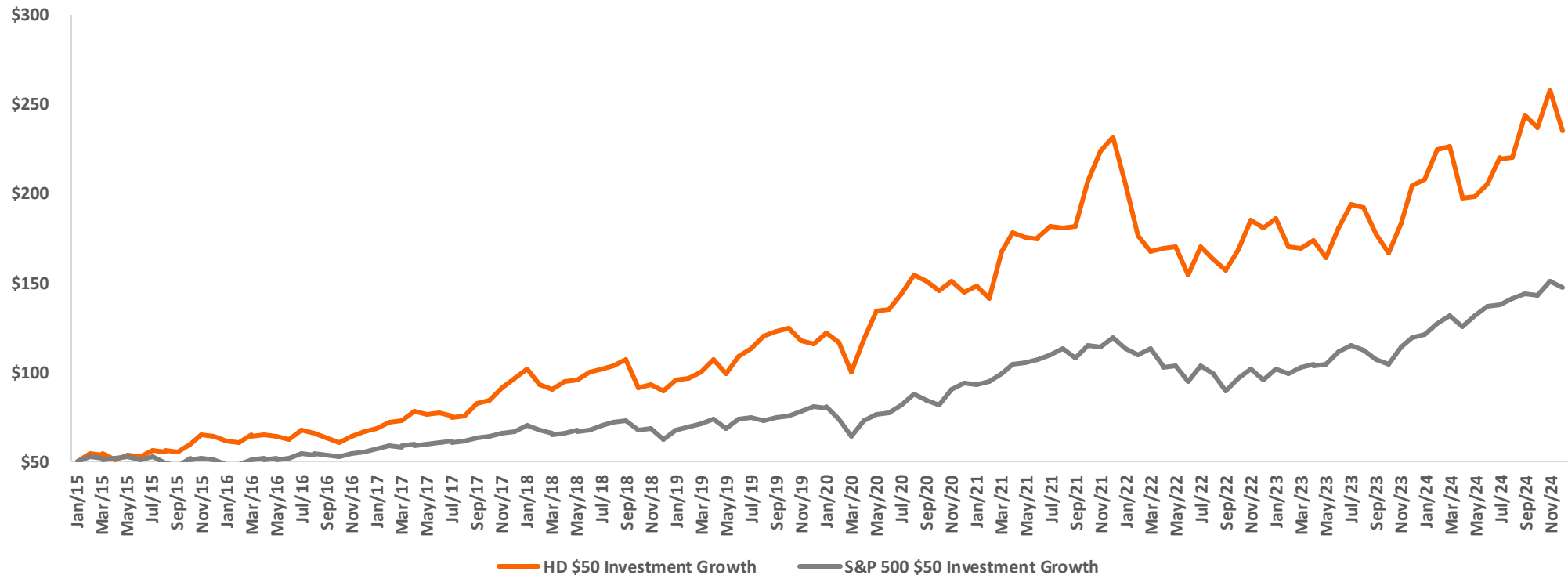


Stock Valuation

By Jairo Onate

Disclaimer: This presentation is for informational purposes only and should not be considered financial advice. Please conduct your own research or consult a financial professional before making any investment decisions.

HD vs. S&P 500
\$50 Investment Growth Shows Superior Long-Term Returns (2015-2024)



Industry Competitors:



Recommendation: **Hold** or **Selective Buy**

Current Stock Price	\$388.99
Market Capitalization	\$385.88 B
Shares Outstanding	992,000

Investment Thesis: **Selective Buy** (\$350 - \$370)



Strong Fundamentals & Efficiency

- Revenue projected to grow 59.7% by 2032.
- COGS drops from 66.46% to 58.62%.



Upside Potential in Peer Comparison

- Relative valuation suggests a stock price of \$447.89, 15.1% higher than the current price.



Overvaluation Risk from DCF

- DCF fair value: \$184.88, 52.5% lower than the market price.
- Free cash flow growth continues at a slower rate (12.31%) after 2031.



Best Approach: Buy on Pullbacks (5% - 10% Market \$ Discount)

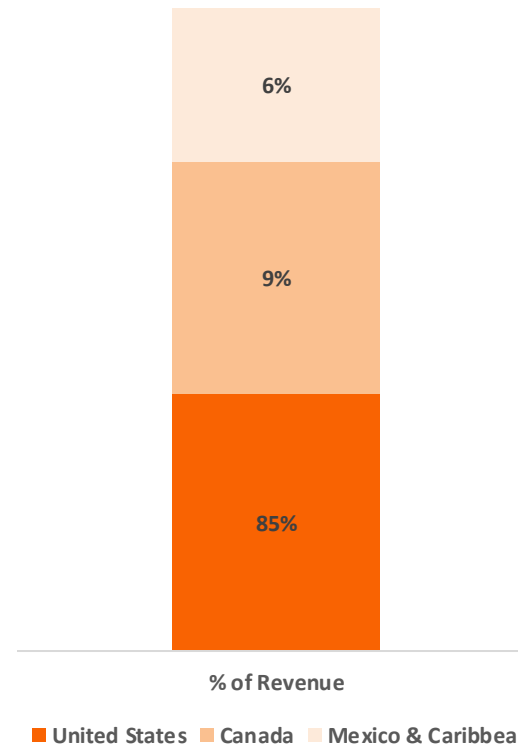
- Buying between \$350 and \$370 prevents from overpaying at current levels, while allowing for future price appreciation.

- Business focus on Home Improvement & Customer Services serving **DIY** (Do It Yourself) & **DIFM** (Do It For Me) **customers**.
- Largest home improvement retailer with **2,300+ stores** across the U.S., CA, MX, and the Caribbean.
- HD annually offers **30,000-40,000+ products** in stores.

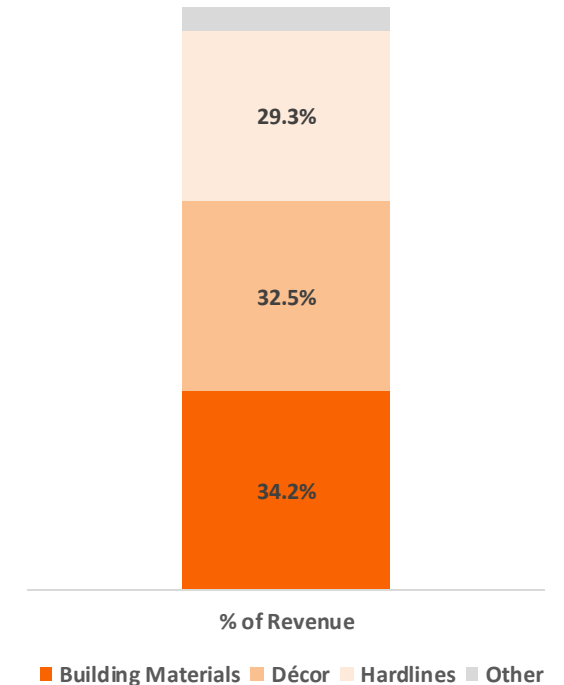
Key Insights:

1. **Strong U.S. Presence – \$131.41B (85%)** of total revenue
2. **Building Materials as Top Segment – \$52.85B (34.2%)** of total revenue

Revenue by Market



Revenue by Product



[HD Metrics](#)



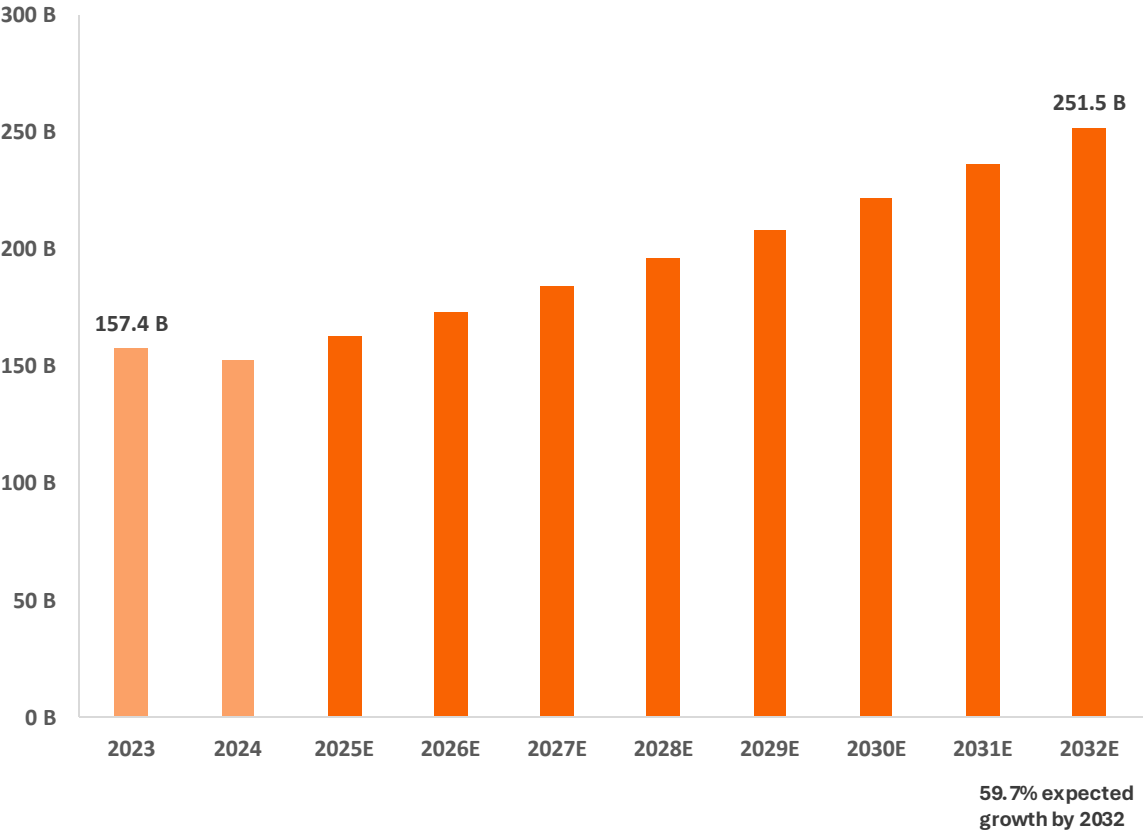
Strong Fundamentals & Efficiency



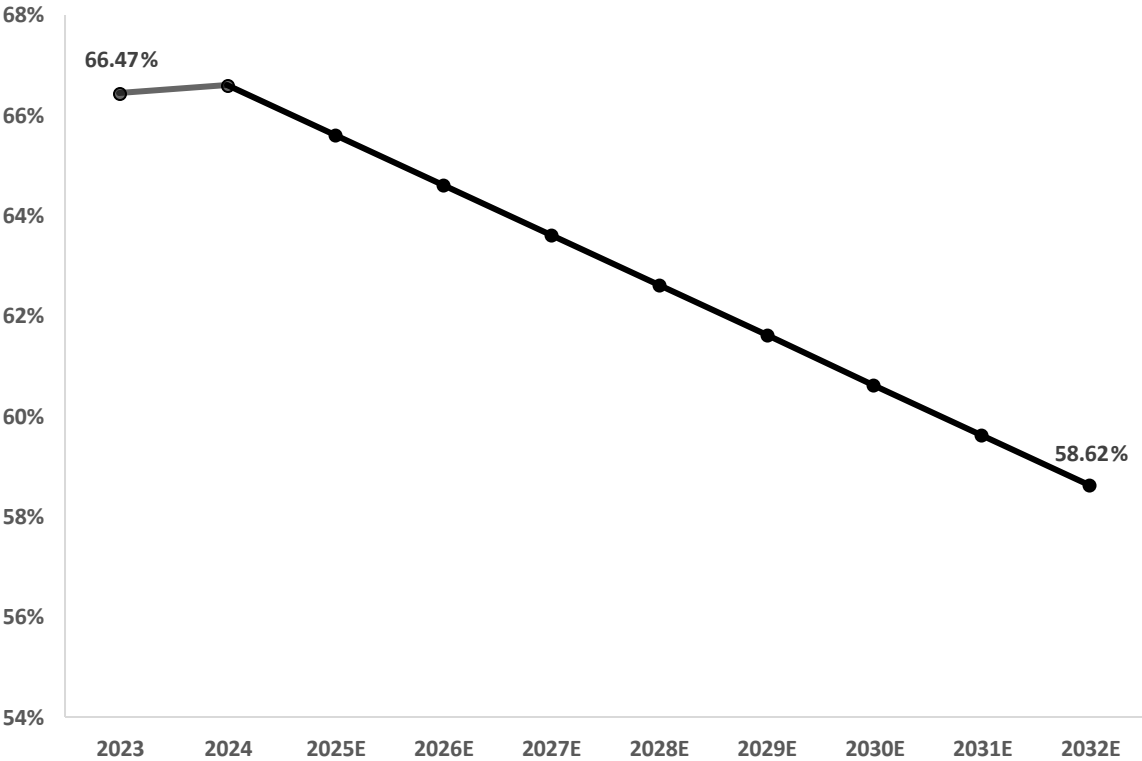
Essential Insights



Sustained Revenue Expansion



Cost Efficiency Improvements



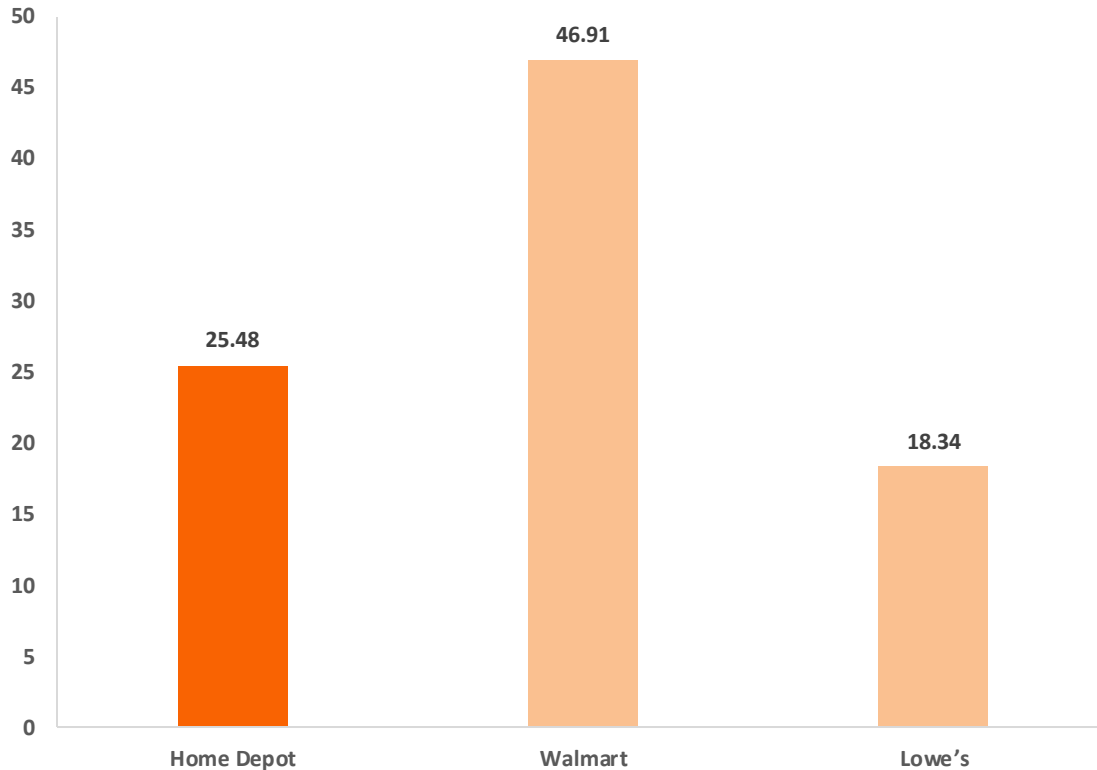


Upside Potential in Peer Comparison



The relative valuation model suggests an **estimated stock price of \$447.89**, 15.1% higher than **current market price of \$388.99**.

HD's P/E Valuation Comparison



- A lower P/E reflects investor caution due to the home improvement sector's sensitivity to economic downturns, where consumers reduce discretionary spending
- HD benefits from steady revenue streams, but its valuation suggests a more conservative earnings outlook rather than rapid expansion.
- Continued improvements in operational efficiency and service expansion could enhance profitability, supporting potential price appreciation over time.

Essential Insights

Cyclical Risks & Valuation

Stable but Measured Growth

Cost Efficiencies & Expansion

Upside Potential in Peer Comparison



The relative valuation model suggests an **estimated stock price of \$447.89**, 15.1% higher than **current market price of \$388.99**.

Lower vs. Peers

- Home Depot's EV/EBITDA of 7.07 is significantly lower than industry peers like Walmart (21.12) and Lowe's (11.49).

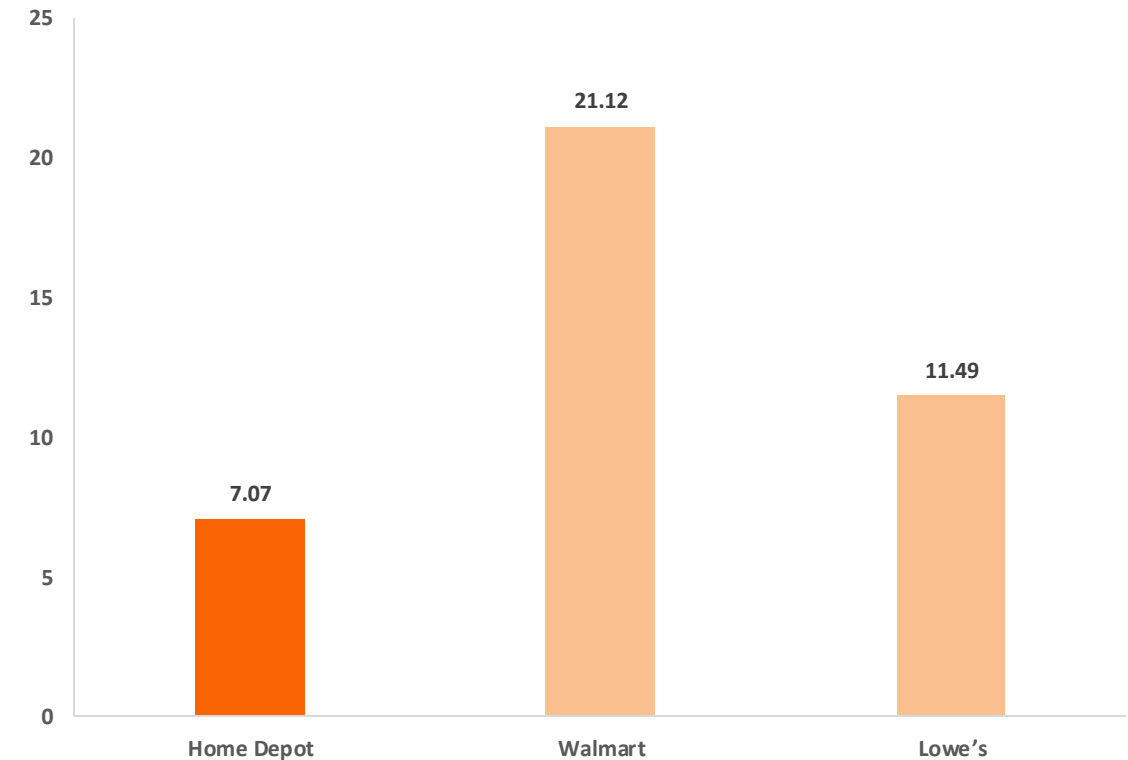
Undervalued Potential Earnings

- Investors are paying less for each dollar of earnings, leaving room for the stock to rise if valued closer to industry levels.

A Value Play

- Investors may view Home Depot as a value play, with potential for future growth.

HD's EV/EBITDA vs. Industry Standards





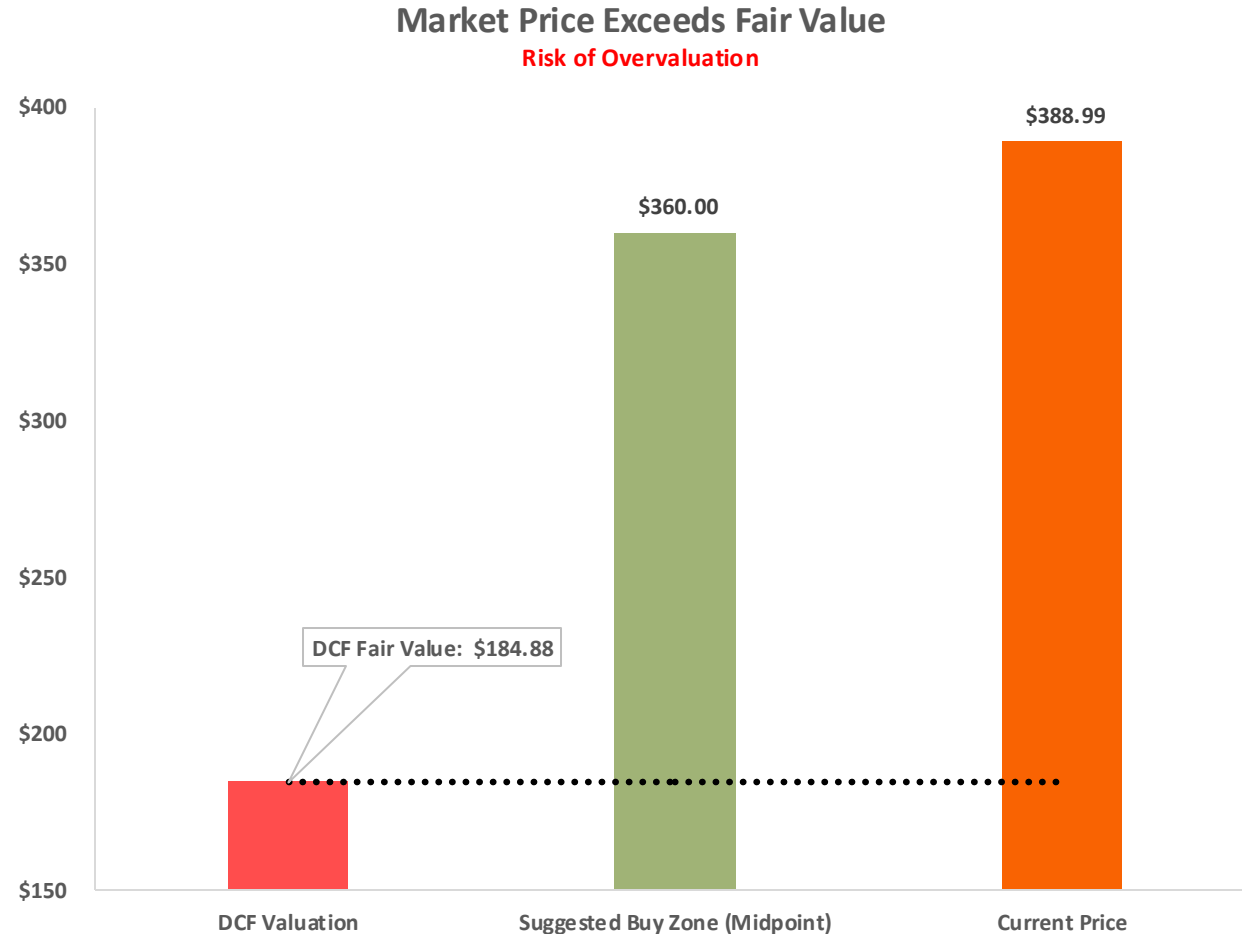
Overvaluation Risk from DCF



Sales Growth Rate: 6.44%

- Economic trends were adjusted by considering the historical sales growth and real GDP growth from 2015-2024.

Weighted Average Cost of Capital: 1.31%



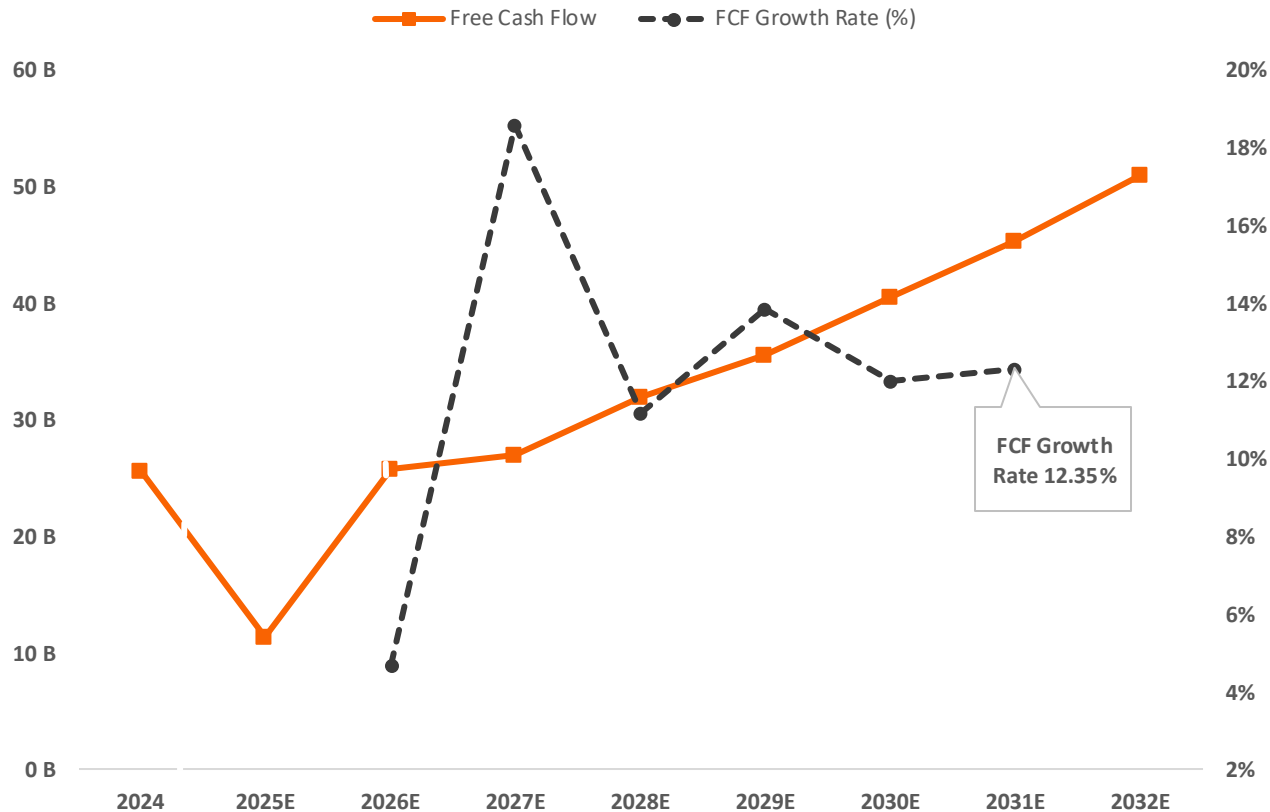
Key Insights:

1. The **suggested buy range (\$350-\$370)** is designed to **reduce downside risk** while keeping the stock within a reasonable valuation range.
2. Investors are pricing in stronger long-term growth than what the DCF model assumes
3. If the **actual growth does not meet market expectations** or if **investor sentiment weakens**, the stock price could **decline** as a result.

Overvaluation Risk from DCF



FCF Growth Continues but at a Slower Rate Post 2031

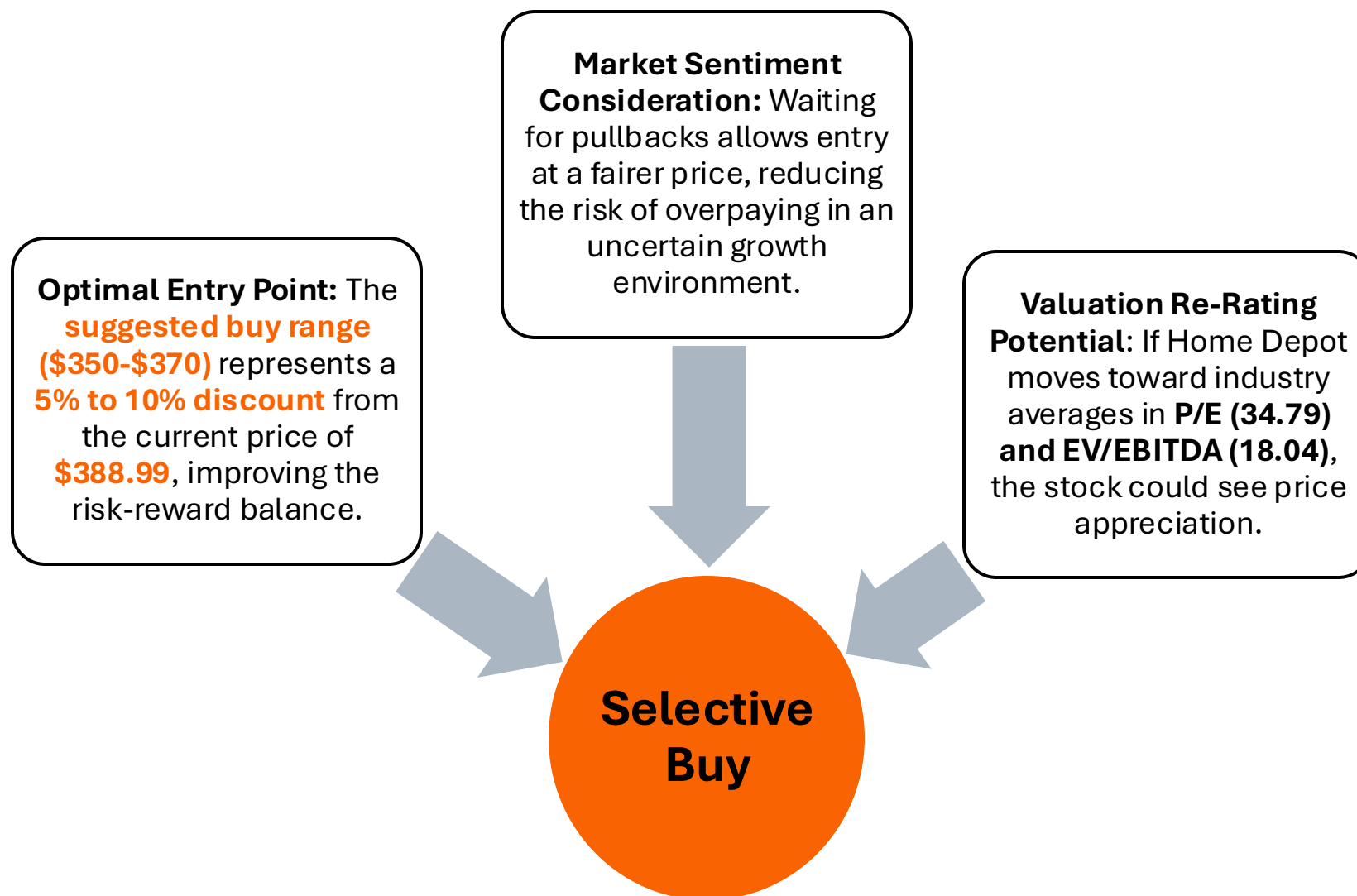


Key Insights:

1. Free cash flow is projected to **increase steadily, reaching \$51.06B by 2032** from **\$25.57B in 2023**.
2. Despite higher absolute FCF values, **growth slows to 12.35% by 2031**, indicating potential challenges in sustaining expansion.
3. Slower FCF growth may limit valuation from investors, reducing stock price appreciation potential.



Best Approach: Buy on Pullbacks





Essential Insights

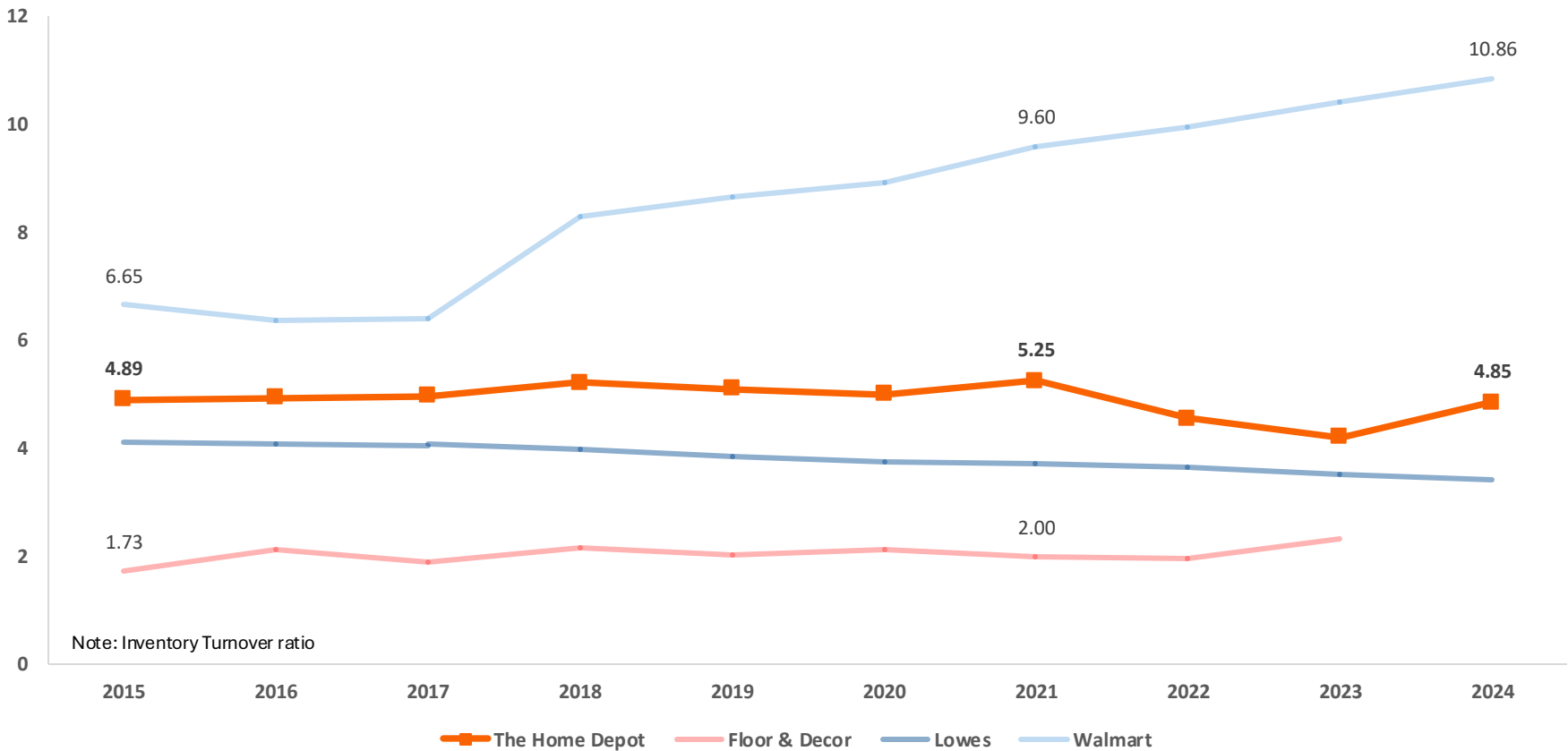
Resilient
Performance

Outperforming
Competitors

Efficient
Turnover

Optimized
Cash Flow

Resilient Inventory Turnover Despite COVID-19 Disruptions

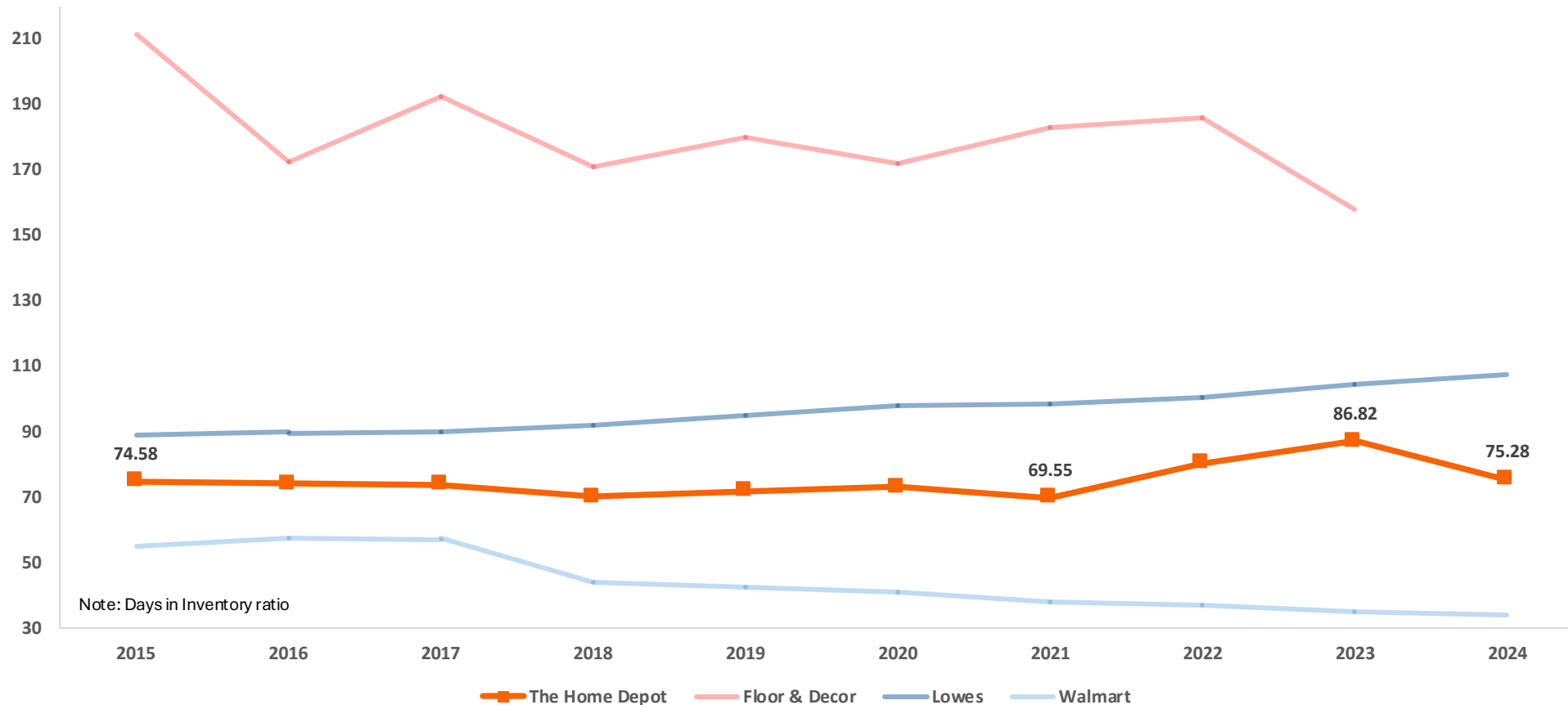


Market Strength & Performance Metrics



- HD maintains **consistent inventory turnover days** (~70-86 days), reflecting **efficient supply chain management**.
- The **2023 peak (86.82 days)** suggests a temporary buildup, but the **2024 decline (75.28 days)** indicates a return to optimized inventory flow.
- Compared to Lowe's and Floor & Decor, Home Depot's inventory control remains stable, avoiding excessive stock accumulation.

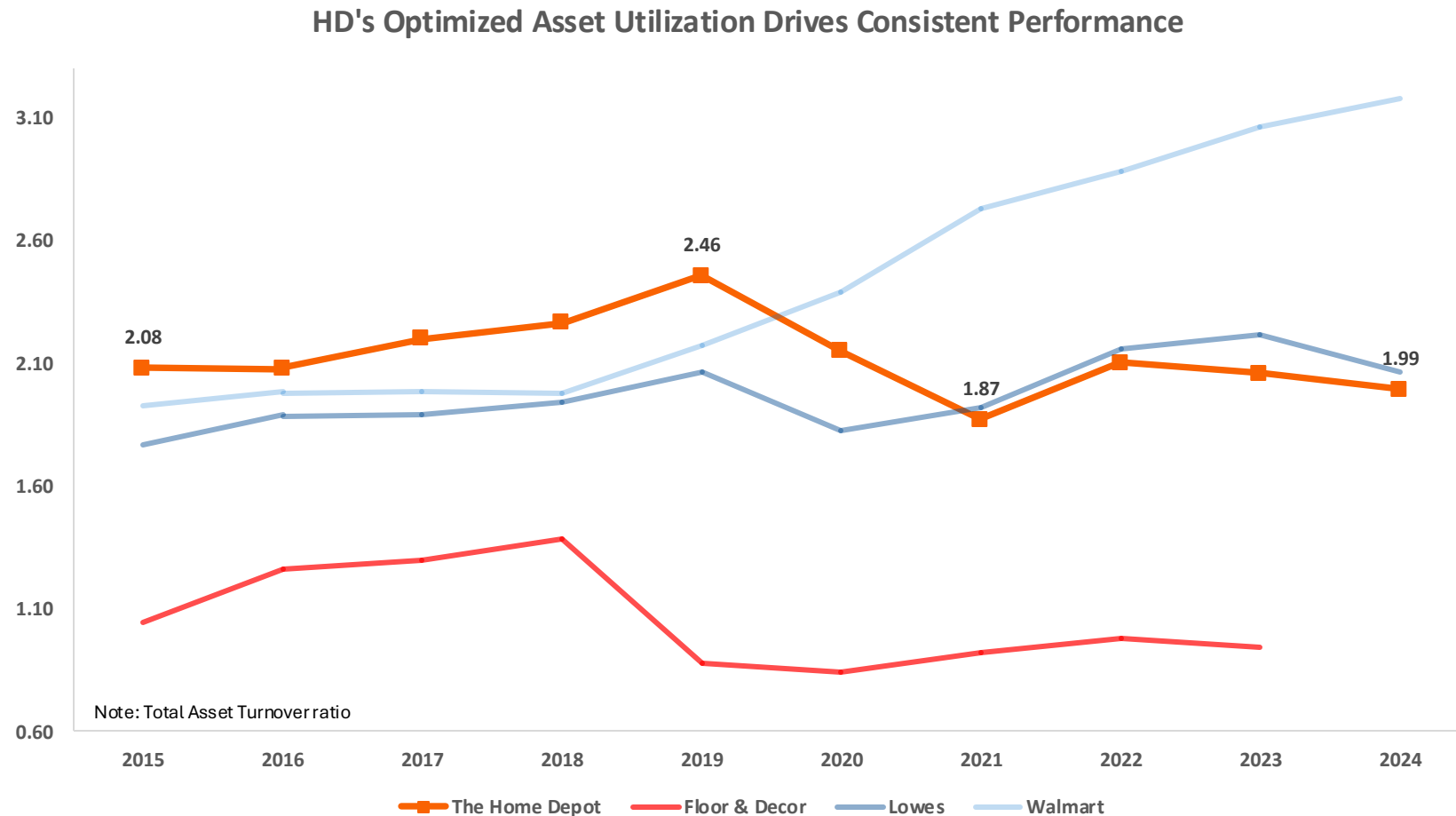
HD's Stable Inventory Management with Minimal Disruptions



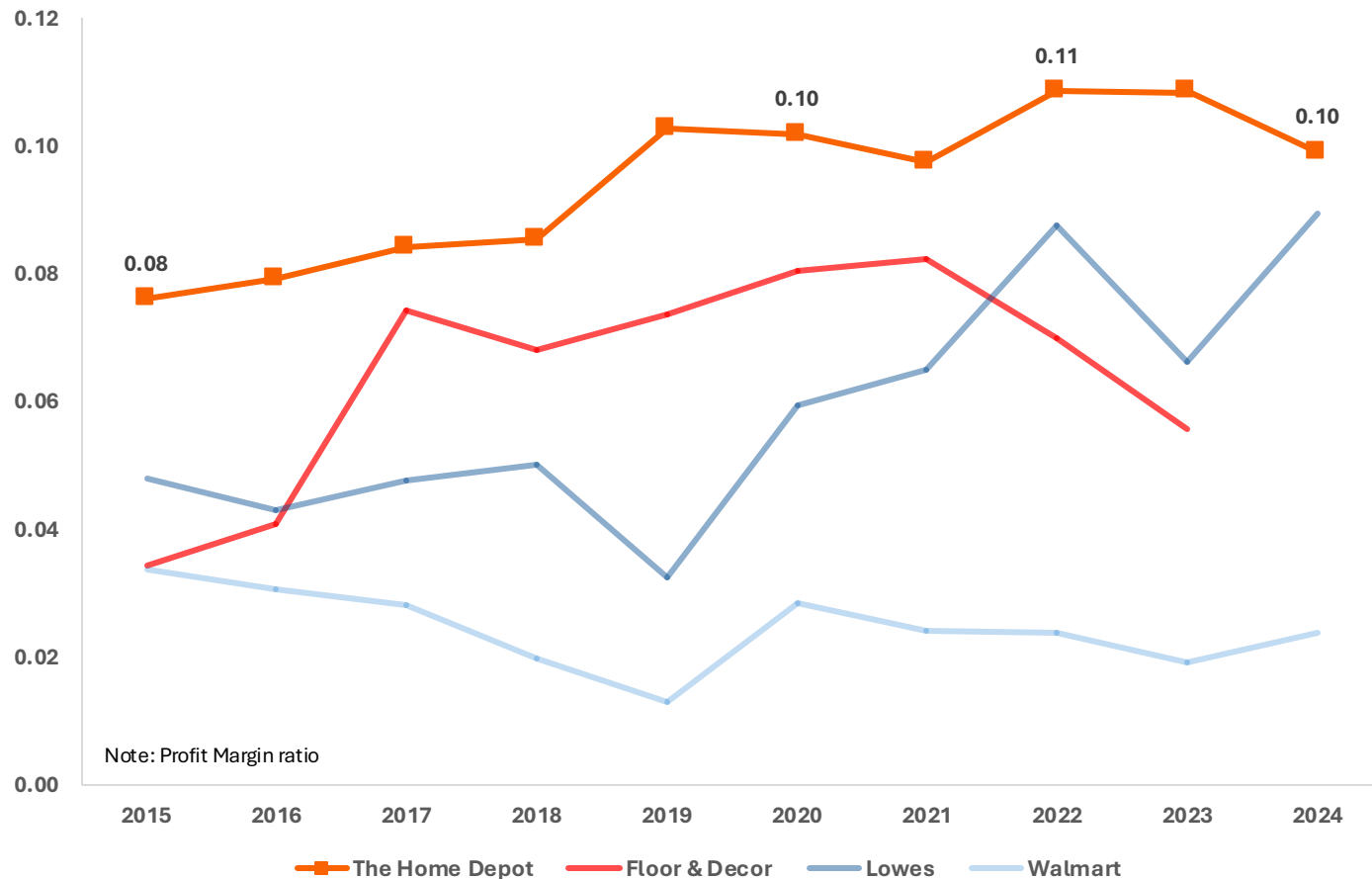
Market Strength & Performance Metrics



- Efficient asset utilization reflects HD's **strong leadership** in the retail market, as it outperforms its most direct competitors, while **growing** its **revenue and profitability**.

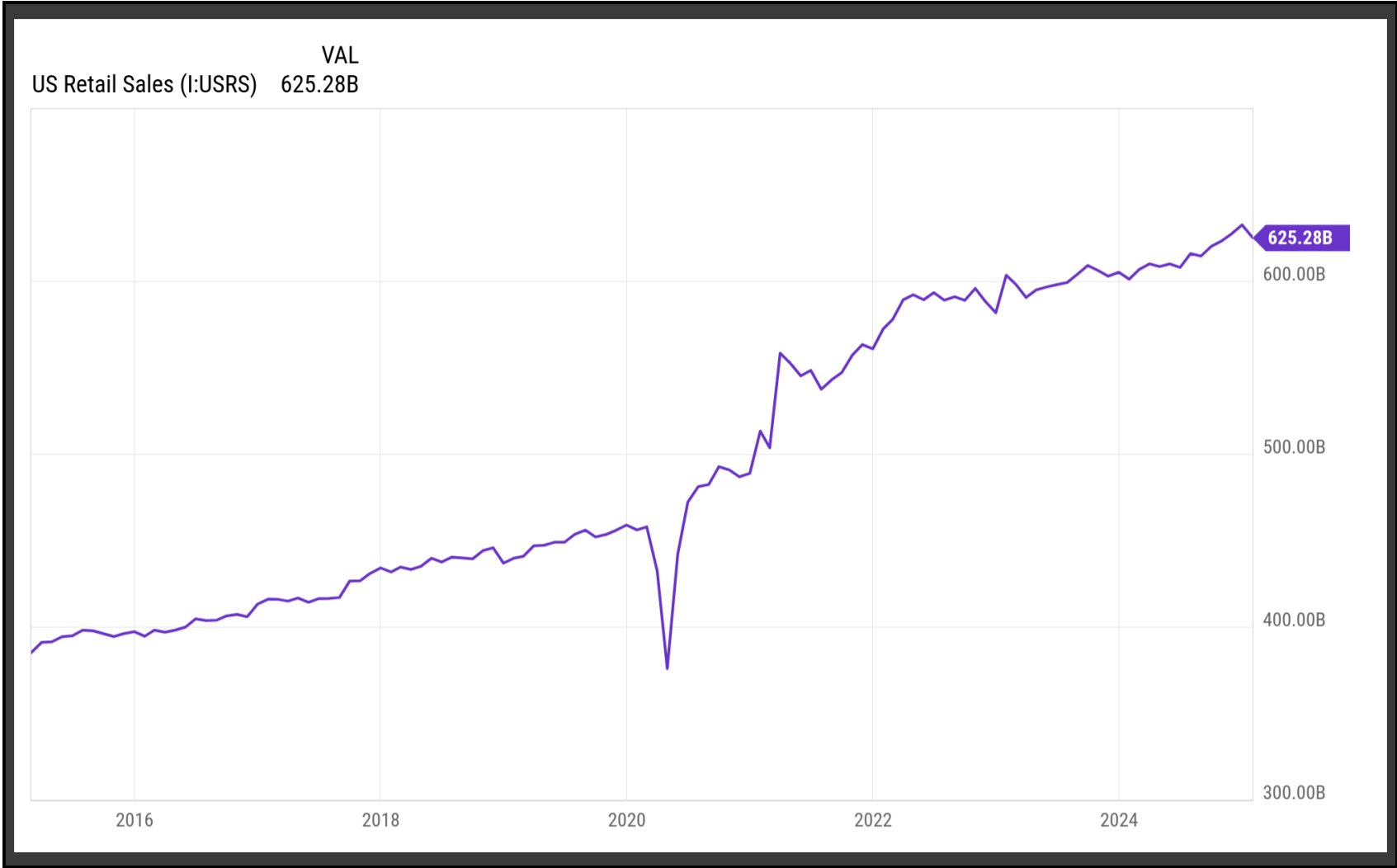


HD's Consistent Strong Profit Margins Reflects Operational Excellence

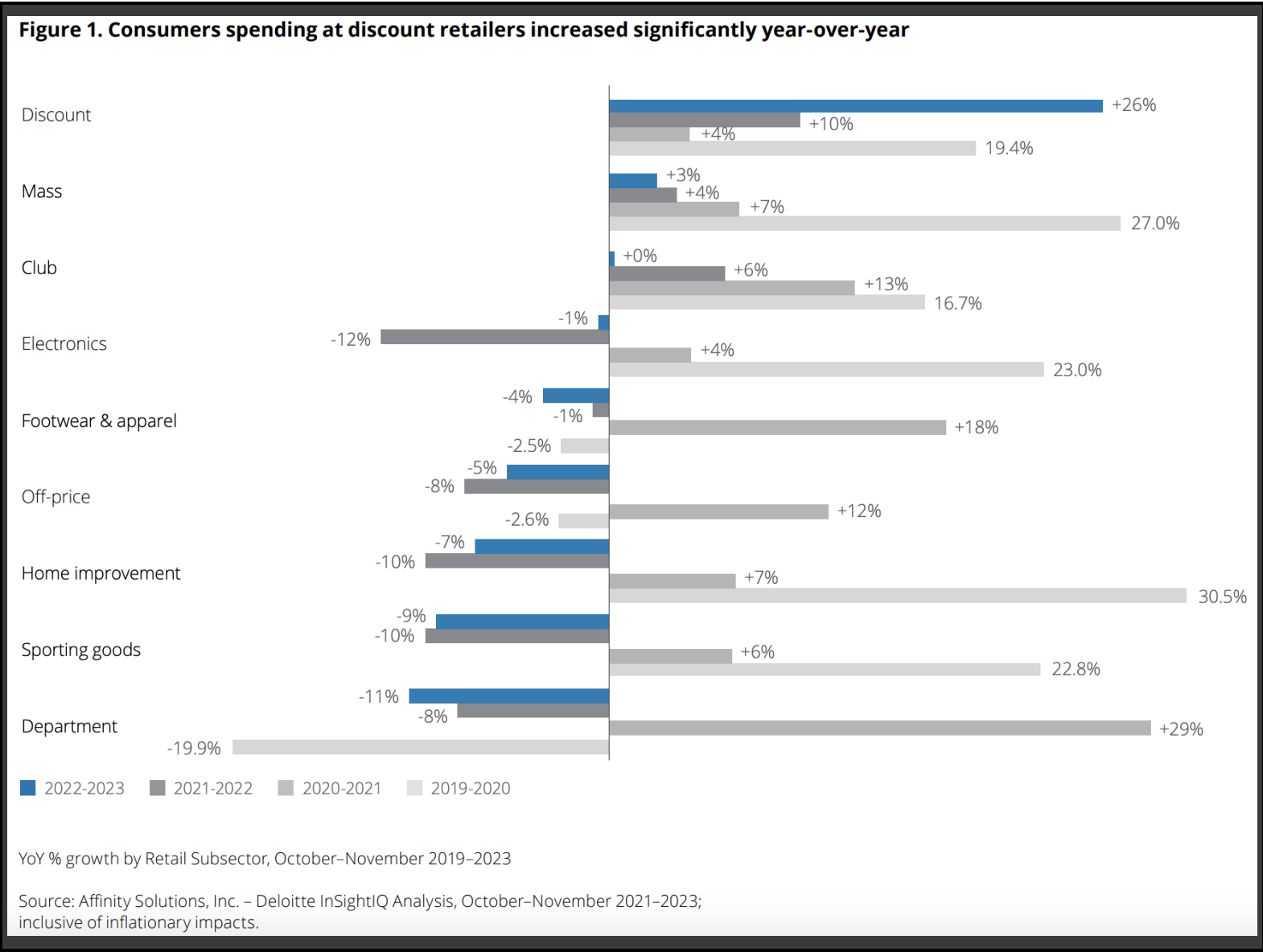


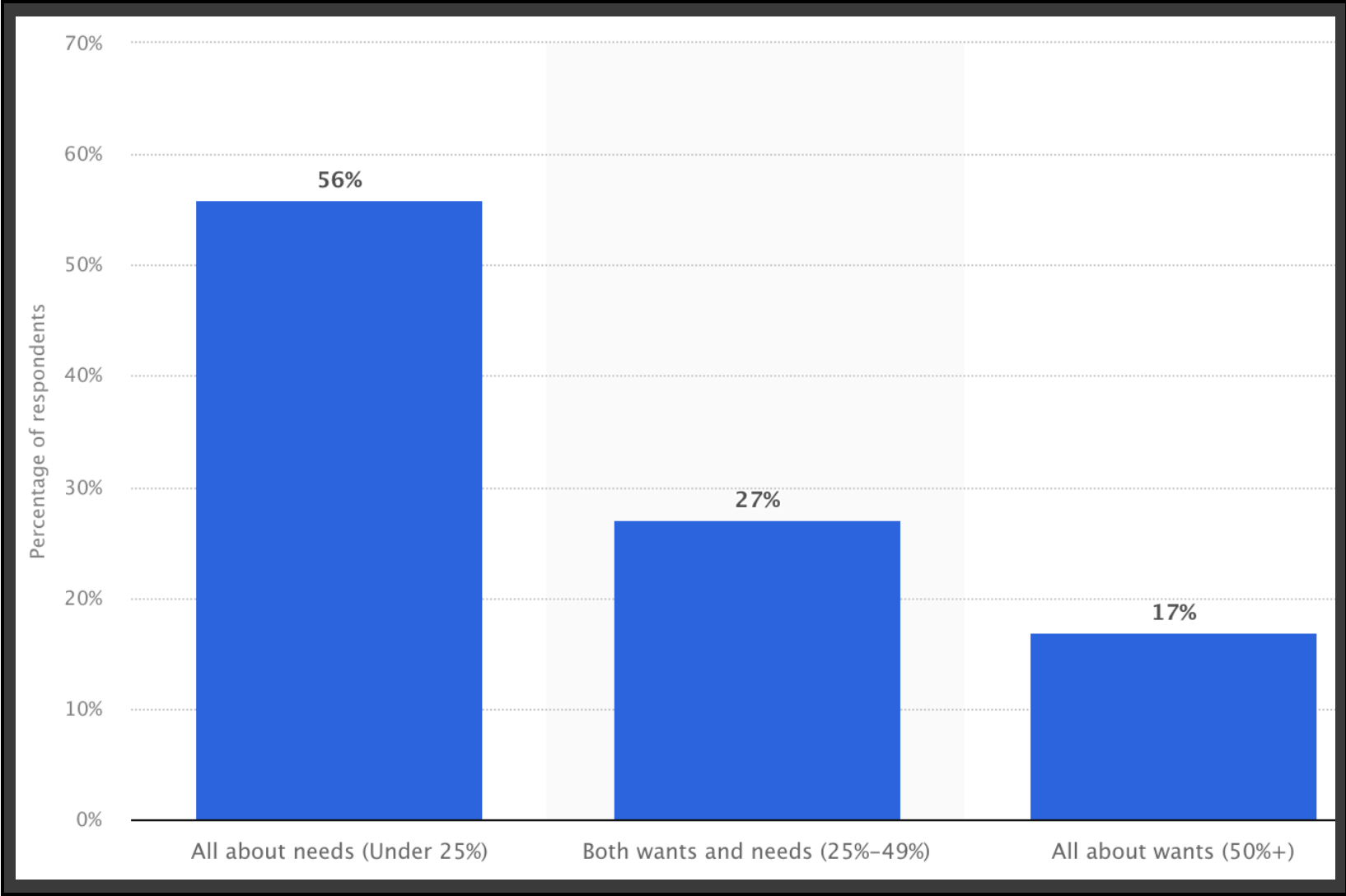
Key Insights:

1. Sustained profit margin demonstrates **pricing power and cost efficiency**.
2. Strong cost control and higher profitability per dollar of revenue.
3. Maintaining **double-digit margins** reinforces HD's ability to generate **strong earnings**, supporting reinvestment, dividend stability, and long-term shareholder value.



[US Retail Sales](#)





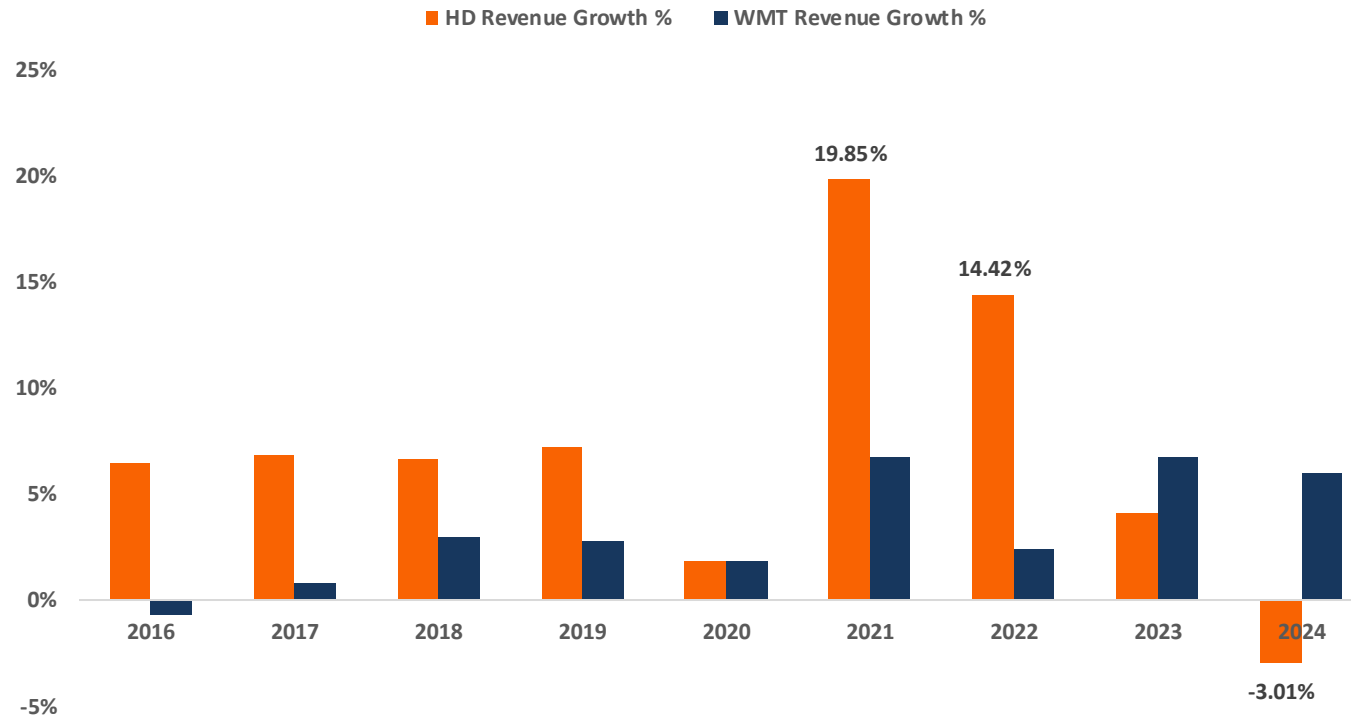
Essential Insights

Possible Shifts in
Consumer Sentiment

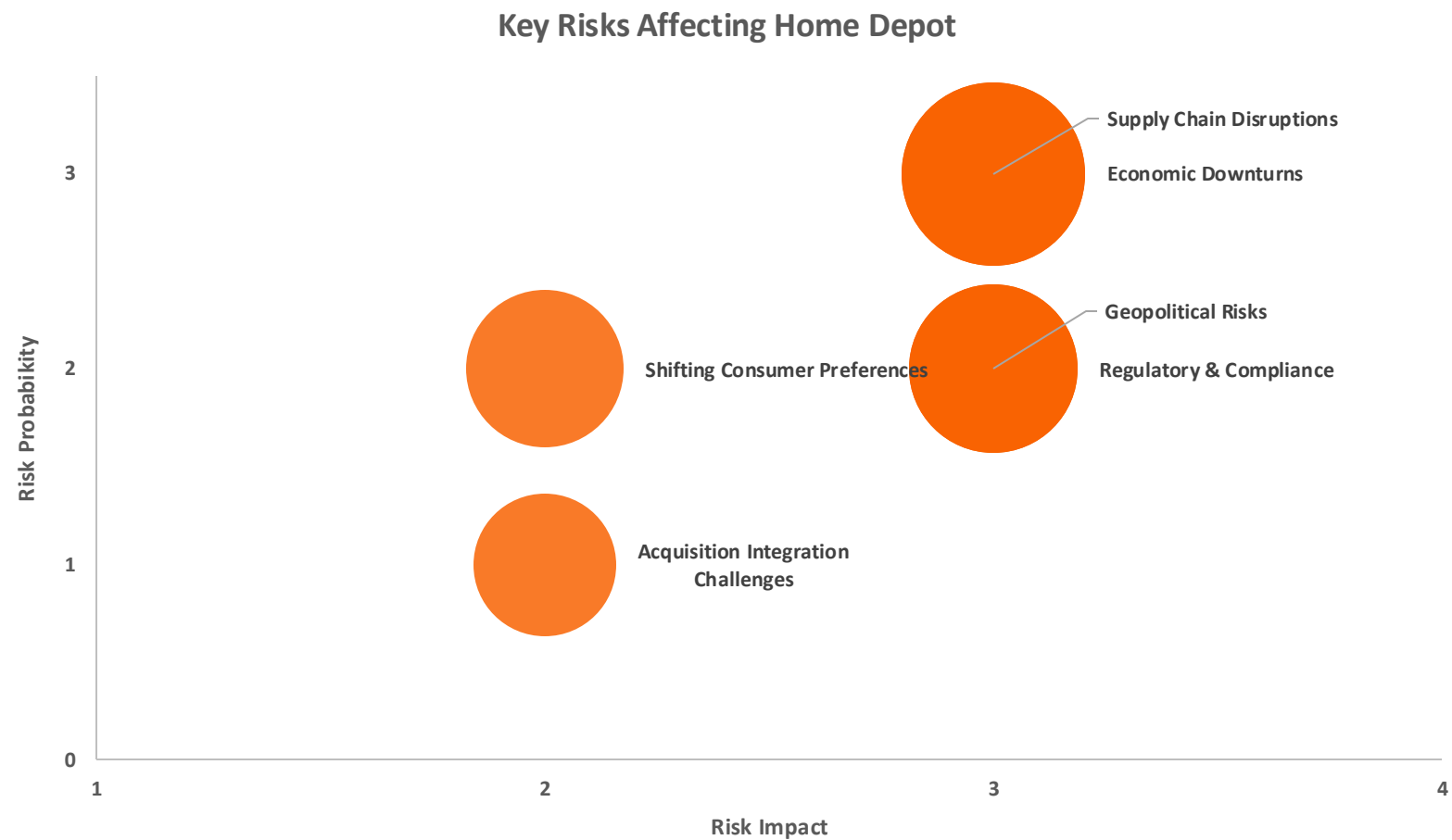
Sustained Post-COVID
Demand Concerns

Consistent Revenue
Growth from
Competitor

HD's Post-COVID Revenue Growth Decline Signals Demand Softening



- HD total revenue fell from **\$157.4B in 2021 to \$152.7B in 2024**, a **\$4.7 billion decline**.
- WMT as a diversified retailer benefits from a diverse product mix covering both essential and discretionary spending needs.



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Thank You! Any Questions?
