

# The Home Depot Inc - Financial and Strategic Analysis Review

Publication Date: Jan-2024

Reference Code: GDRT35137FSA

## Company Snapshot

### Key Information

The Home Depot Inc, Key Information	
Web Address	www.homedepot.com
Financial year-end	January
Number of Employees	4,71,600
NYSE	HD
Source : GlobalData	

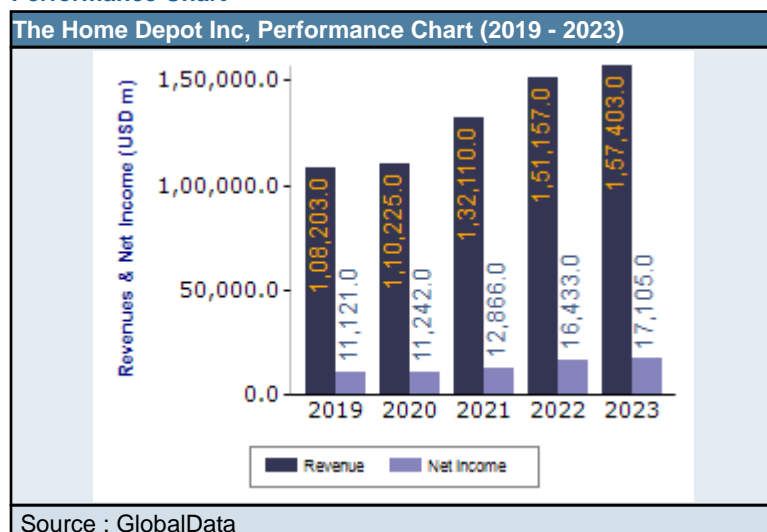
### Key Ratios

The Home Depot Inc, Key Ratios	
P/E	19.00
EV/EBITDA	14.35
Return on Equity (%)	1,095.07
Debt/Equity	27.65
Operating profit margin (%)	15.27
Dividend Yield	2.26
Note: Above ratios are based on share price as of 04-Jan-2024	
Source : GlobalData	

### Share Data

The Home Depot Inc, Share Data	
Price (USD) as on 04-Jan-2024	333.20
EPS (USD)	16.69
Book value per share (USD)	1.54
Shares Outstanding (in million)	1,025
Source : GlobalData	

### Performance Chart



## Company Overview

The Home Depot Inc (Home Depot) retails home improvement products. The company provides various products, which include home improvement supplies, flooring and paint products, hardware, kitchen and bath products, electrical products, building materials, appliances, and lawn and indoor and outdoor garden products. It also offers various services, which include home delivery, e-retail, credit card services, and installation services.

## SWOT Analysis

The Home Depot Inc, SWOT Analysis	
Strengths	Weaknesses
Diverse Business Portfolio	Over Dependence on the US market
Increase in Operational Performance	
Wide Market Network	
Opportunities	Threats
Growing Demand for Residential Construction Market in the US	Labor Costs in US
Growing Demand for Home and Garden Products Retail Market in the US	Transmission and Distribution Network Safety
Growth in E-Retailing Sectors	Stiff Competition
Source : GlobalData	

## Financial Performance

The company reported revenues of (US Dollars) US\$157,403 million for the fiscal year ended January 2023 (FY2023), an increase of 4.1% over FY2022. In FY2023, the company's operating margin was 15.3%, compared to an operating margin of 15.2% in FY2022. In FY2023, the company recorded a net margin of 10.9%, compared to a net margin of 10.9% in FY2022.

## Key Information

The Home Depot Inc, Key Information			
<b>Corporate Address</b>	2455 Paces Ferry Road, Atlanta, GA, 30339-4024, United States	<b>Ticker Symbol, Stock Exchange</b>	HD [New York Stock Exchange]
<b>Telephone</b>	+1 770 4338211	<b>No. of Employees</b>	4,71,600
<b>Fax</b>	+1 302 6365454	<b>Fiscal Year End</b>	January
<b>URL</b>	www.homedepot.com	<b>Revenue (in USD Million)</b>	1,57,403.0
<b>Industry</b>	Energy and Utilities, Retail, Wholesale & Foodservice		
<b>Locations</b>	Canada, Mexico, United States		
Source : GlobalData			

## Company Overview

The Home Depot Inc (Home Depot) retails home improvement products. The company provides various products, which include home improvement supplies, flooring and paint products, hardware, kitchen and bath products, electrical products, building materials, appliances, and lawn and indoor and outdoor garden products. It also offers various services, which include home delivery, e-retail, credit card services, and installation services. The company offers its products under various brands names Everbilt, Glacier Bay, Husky, HDX, Hampton Bay, Vigoro, Home Decorators Collection, The Home Depot, LifeProof, SuperClean, and PetProof. It markets products through various e-commerce websites homedepot.ca, homedepot.com, blinds.com, homedepot.com.mx, and thecompanystore.com. The company's business operations are spread across the US, Mexico, and Canada. Home Depot is headquartered in Atlanta, Georgia, the US.

## The Home Depot Inc - SWOT Analysis

### SWOT Analysis - Overview

The Home Depot Inc (Home Depot) is a retailer of home improvement products. An increase in operational performance, a diverse business portfolio, and a wide market network are the company's major strengths, whereas overdependence on the US market remains a cause of concern. A positive outlook for the residential construction market in the US, growth in e-retailing sectors, and growing demand for home and garden products retail market in the US are likely to offer growth opportunities to the company. However, stiff competition, transmission and distribution network safety, and labor costs in the US could affect its business performance.

### The Home Depot Inc - Strengths

#### Strength - Diverse Business Portfolio

Home Depot's products are under various categories, namely flooring, lumber, hardware, plumbing, indoor garden, tools, paint, appliances, kitchen and bath, decor, building materials, millwork, outdoor garden, electrical, and lighting. Home Depot offers these products to customers based on their needs under two categories including DIY customers and Professional customers. DIY customers themselves perform the installation process by taking assistance from the company's associates. Professional customers perform building, remodeling, repairing, renovating, and maintaining of residential, multifamily, hospitality, and commercial facilities, including healthcare, education, government, and office buildings. In FY2023, the company generated 9.5% of the company's revenue from the indoor garden category, followed by appliances with 9.2%, electrical and lighting with 8.7%, lumber with 8.6%, plumber with 8%, tools with 7.9%, building material with 7.2%, paint with 7.1%, kitchen and bath with 7.1%, outdoor garden with 6.4%, flooring with 5.9%, millwork with 5.4%, hardware with 5.1%, and décor/storage with 4.0%.

#### Strength - Increase in Operational Performance

The company exhibited a strong revenue performance during the review year. In FY2023, the company reported revenue of US\$151,403 million as compared to US\$151,157 million in FY2021, representing an annual growth of 4.1%. Growth in revenue was due to increased revenue from the Decor category by 3.7% and the Building Material product category by 8.3%. The company also reported an operating income of US\$24,039 million in FY2023, which grew 4.3% compared to US\$23,040 million in FY2022. In FY2023, the company reported an increase in net income of US\$17,105 million, which grew 4.1% compared to US\$16,433 million in FY2022. Strong operating performance helps in enhancing investor confidence and the company's ability to pursue growth plans.

#### Strength - Wide Market Network

Home Depot performs four retail programs such as BOSS, BODFS, BORIS, and BOPIS for its online shopping customers to pick up products at their nearest location. The company operates over 200 distribution centers in the US, Canada, and Mexico. Its store inventory stocks different kinds of building materials, home improvement supplies, appliances, and lawn and garden products. The company through US stores offers various services including convenient customer pick-up, return, and delivery services. As of January 2023, the company operated through 2,322 stores in its network covering a retail space of over 104,000 sq. ft. of which 2,007 stores are in the US, followed by Canada (182) and Mexico (133). Home Depot retails its products through a combination of in-store and online business formats across the US (including Puerto Rico, Virgin Islands and Guam, Canada, and Mexico).

### The Home Depot Inc - Weaknesses

#### Weakness - Over Dependence on the US market

Over-dependence on the US market is a cause for concern for the company. The company has its operations across Mexico, the US, and Canada, but generates the majority of its revenue from the US. The dependence on the US could affect the company's financial and operational performance and increase its business risks as it would be subject to the economic and geopolitical risks associated with the region. Such risks could affect the demand for its products, cause disruption in the supply chain, and decrease its market share and growth opportunities. The dependence on a single region also hinders the company's growth in international markets. The company generated 92% of its revenue from the US in FY2023.

### The Home Depot Inc - Opportunities

#### Opportunity - Growing Demand for Residential Construction Market in the US

The company is forecasted to benefit from growth in the US residential and commercial construction industries. Home Depot also provides electrical/lighting, building materials, handlines, lumber, millwork, plumbing, decors, kitchen and bath, flooring, paint, outdoor garden, hardware, indoor garden, and tools. According to in-house research, the US residential construction industry is estimated to increase the market to a value of US\$925.8 billion by the end of 2025. Comparatively,

the European and Asia-Pacific markets are estimated to grow at a CAGR of 6.7% and 6.8% respectively, over the same period, to reach respective values of \$1,540.9 billion and US\$3,100.7 billion in 2025. Despite the presence of some large companies, the residential construction market is highly fragmented. The buyers range from private individuals, and governments to property developers.

### Opportunity - Growing Demand for Home and Garden Products Retail Market in the US

According to an in-house report, the home and garden products retail market in the US is expected to reach \$764.6 billion by 2025, indicating an increase of 14.8%. Home improvement is the major segment in the home & garden product retail market in the US, accounting for 67.2% of the market's total value, followed by Homewares with 24.6%, and Gardening & Outdoor Living with 8.2%. The US market accounted for 44.1% of the global home & garden products retail market value. Home Depot also offers various home and garden products such as home accents, indoor plants, room dividers, artificial plants, candles, decorative products, and rugs, among others.

### Opportunity - Growth in E-Retailing Sectors

According to in-house research, the online retail sector in the US is expected to reach US\$746.9 billion by 2025. The US accounted for about 31.2% of the global online retail sector value. The retailing of electrical and electronic goods was the major segment in the sector, which accounted for 30.2% of the total value, followed by apparel retail with 18.5%, home and garden products with 18.1%, food and grocery retail with 12.5%, furniture and floor coverings with 7.5%, jewelry, watches and accessories with 3.8%) and other category accounted for 9.3% of the value.

### The Home Depot Inc - Threats

#### Threat - Labor Costs in US

The tight labor markets, government-mandated increases in minimum wages, and a higher proportion of full-time employees are increasing labor costs. Effective January 2023, 24 states in the US increased their minimum wages. Alaska, South Dakota, Vermont, Ohio, Florida, Montana, Minnesota and Nebraska increased their hourly minimum wage based on the cost of living to US\$10.85, US\$10.80, US\$13.18, US\$10.10, US\$11, US\$9.95, US\$10.59 and US\$10.50, respectively. Delaware, Maryland, Arizona, Colorado, Arkansas, California, Illinois, Maine, and Massachusetts increased their hourly minimum wages to US\$11.75, US\$13.25, US\$13.85, US\$13, US\$15.50, US\$13.65, US\$13.80, and US\$15.00, respectively. Whereas states such as New Jersey, Michigan, Missouri, New York, Washington, New Mexico increased their hourly minimum wages due to previously approved legislation to US\$14.13, US\$10.10, US\$12, US\$13, US\$12, US\$14.20, \$15.74, and US\$12, respectively.

#### Threat - Transmission and Distribution Network Safety

Home Depot's business operations are prone to fire accidents and other such adverse events. The absence of proper maintenance of its transmission network leads to outages and other adverse incidents. If the company is not able to initiate remedial measures, its business operations could be affected, leading to fines and legal actions. The company also faces risks associated with physical deterioration, misuse and abuse, and critical parameter changes in the operation of the supply grid, which could cause the breakdown and collapse of the structure. System-related accidents could also lead to rolling blackouts, power-system separation, and heavy overuse. The extensive use of the main power supply grid leads to the accelerated aging process of its transmission lines.

#### Threat - Stiff Competition

Home Depot faces high competition for its products and services from a variety of retailers, suppliers, distributors, and manufacturers that sell products directly to their customer bases, and service providers. These competitors include several home improvement retailers; lumber yards; electrical, plumbing, and building materials supply houses. For some products and services, it also competes with specialty design stores, showrooms, discount stores, local, regional, and national hardware stores, mail order firms, MRO companies, paint stores, warehouse clubs, independent building supply stores, home décor retailers, and other retailers, as well as with providers of home improvement services and tool and equipment rental. Some of its competitors include Ace Hardware Corp, Amazon.com Inc, Home Hardware Stores Ltd, Jewett-Cameron Trading Co, LL Flooring Holdings Inc, Menards Inc, and Floor & Decor Holdings Inc.

**NOTE:** The above strategic analysis is based on in-house research and reflects the publishers opinion only