

Bulldog Investment Company

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HD Earnings

Home Depot- 1Q 2022 Earnings

Our portfolio and 1Q Summary

- 3.26% of our portfolio
- 138 shares @ \$160.04= \$22,084.95
- As of 5/24/22 had a market value of \$39,732.96 with an annualized return of -30.23%
- As of 5/26/22 shares trading at approximately \$299.03

Sales- \$38.9 billion

Increase of 1.4b from 2021 1Q

Net Earnings- \$4.2 billion

Increase of 86 million from 2021 1Q

Comparable Sales- 8% growth

Basic EPS- \$4.11

Increase of \$0.24 from 1Q 2021

Diluted Share- \$4.09

Increase of \$0.23 from 1Q 2021

Update

Results are promising with increase in stocks fair value by low single digit rate.

Comparable average ticket growth of 11.4% offset by inflation for a growth of 3.8%

Backlogs are at all time high due to house appreciation and shortage in home inventory

Customers trading to premium projects increasing single ticket growth

Gross margin 33.8%

EOY 21- 33.6%

Operating Margin 13.5%

EOY 21- 15.2%

Diluted earnings per share \$4.09

EOY 21- \$15.53

Morningstar expects more normalized level of growth, mid-single digit growth in EPS, and 4% average sales growth

Capital Allocation

Repaid \$2.1 billion in debt

\$20 billion in share repurchases authorized- total for 1Q was \$2.3 billion

\$704 million in capital expenditures

Increased 15% in quarterly cash dividend to \$1.90 per share from \$1.65, totaling \$2 billion paid to shareholders.

IOFS

Margins are consistent and have not recently shifted. Operating margin and Gross margin fail our standards. Operating does not meet our 20% threshold at 13.5% and gross margin does not meet our 40% threshold at 33.8%. Analysts are not worried about operating margin given HD's investment in various facets of the business. HD doesn't meet these thresholds but holds a strong obligation ratio at

Notable Thoughts from the Bears

As the affects of COVID-19 recede, consumer spending will shift from home improvement into entertainment and dining.

IT and supply chain improvements increasingly become more difficult

-Experienced increased transportation costs in 4Q but continued to stay above margin thresholds

High interest rates and potential economic downturn will hinder sales

Consensus

HD continues to hold strong and experience slight top line growth. Monitor real estate market, interest rates, and ability to meet thresholds.