

FLASH REPORT



Home Depot (HD) 4Q16 Results: Earnings Beat, Solid 2017 Guidance

Figure 1. Home Depot 4Q16 Key Metrics

	4Q16	4Q15	YoY Change
Revenues (USD Bil.)	\$22.21	\$20.98	5.8%
Gross Margin	34.0%	34.1%	(10) bps
SG&A/Sales	18.8%	19.9%	(108) bps
Operating Margin	13.2%	12.1%	103 bps
EPS (USD)	\$1.44	\$1.17	23.1%

Source: Company reports/Fung Global Retail & Technology

- Home Depot reported 4Q16 EPS of \$1.44, up 23.1% from the year-ago quarter and beating the consensus estimate of \$1.33. The company reported revenue of \$22.21 billion, up 5.8% from \$20.98 billion in the year-ago quarter and above the \$21.79 billion consensus estimate.
- Same-store sales rose by 5.8% during the quarter, beating the 3.7% consensus estimate. Comps for the US were up 6.3%. Total comps were driven by an increase of 2.9% in both transactions and average ticket. All merchandising departments posted positive comps, led by flooring and tools, which reported double-digit comp growth in the quarter.
- The company expects FY17 total revenue growth of 4.6%, to about \$23.23 billion, and it expects full-year comp growth of 4.6%. The consensus estimate calls for sales growth of 4.1% and comp growth of 4.6%. The company expects FY17 EPS of \$7.13, up 10.5% from FY16 but slightly below the consensus estimate of \$7.17.

4Q16 Results

Home Depot reported total revenues of \$22.21 billion for 4Q16, up 5.8% from the year-ago quarter. Foreign currency effects, primarily in the form of a weaker Mexican peso, negatively impacted total sales by about \$96 million, or 0.5%. Sales per square foot rose by 5.7% compared with the year-ago quarter.

The online business reported sales growth of 19% for the quarter. Big-ticket sales—or transactions over \$900, which represent 20% of Home Depot's US sales—were up 11.6%. The increase in big-ticket purchases was driven by flooring, appliances and several Pro categories.

The company reported EPS of \$1.44, beating the consensus estimate of \$1.33 and up 23.1% from the year-ago quarter.

Same-Store Sales Breakdown for the Quarter

Same-store sales were up 5.8%, beating the 3.7% consensus estimate. Comps for US stores were up 6.3%. By month, comps were strongest in December (at 7.1%), followed by November (at 5.7%) and then January (at 4.7%). Internationally, Mexico and Canada posted positive comps in local currency for the quarter.

Total comps were driven by a 2.9% increase in both transactions and average ticket. Commodity price inflation positively impacted average ticket growth by approximately 32 basis points, while the weaker Mexican peso negatively impacted ticket growth by approximately 45 basis points.



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All merchandising departments posted positive comps, led by flooring and tools, which posted double-digit comps in the quarter. Lumber, outdoor garden, appliances, decor, indoor garden, lighting and plumbing all posted comps that were above the company's averages. Pro sales comps grew faster than the company's overall comps. Pro-heavy categories such as fencing, decking, commercial and industrial lighting, and electrical wiring also saw strong comps.

FY16 Results

For FY16, Home Depot's revenues rose by 6.9%, to \$94.6 billion, and total company comps were up 5.6% year over year. The company had guided for a sales increase of 6.3% and comp growth of 4.9%. A stronger US dollar negatively impacted sales by about \$549 million, or 0.6%. Total sales per square foot increased by 5.5%, to \$391, which was the highest sales per square foot recorded by the company since 2001.

Home Depot reported full-year EPS of \$6.45, up 18.1% from \$5.46 the previous year and above prior guidance of \$6.33.

FY17 Outlook

Home Depot expects total revenue of about \$23.23 billion for FY17, an increase of approximately 4.6%. The company also expects same-store sales to increase by 4.6%. The consensus estimate calls for sales growth of 4.1% and same-store sales growth of 4.6%.

The company expects FY17 EPS of \$7.13, up 10.5% from FY16 but below the consensus estimate of \$7.17.



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Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Steven Winnick
Research Associate

Hong Kong:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com