

FLASH REPORT



Home Depot (HD) 2Q17 Results: Highest Quarterly Sales in Company History

Figure 1. Home Depot 2Q17 Key Metrics

	2Q17	2Q16	YoY Change
Revenues (USD Bil.)	\$28.1	\$26.5	6.2%
Gross Margin	33.7%	33.7%	–
SG&A/Sales	16.2%	16.6%	(40) bps
Operating Margin	15.9%	15.5%	30 bps
EPS (USD)	\$2.25	\$1.97	14%

Source: Company reports/FGRT

- Home Depot reported 2Q17 EPS of \$2.25, up 14% from the year-ago quarter and beating the \$2.21 consensus estimate. Total revenues for 2Q17 were \$28.1 billion, versus expectations of \$27.8 billion, and were up 6.2% year over year. The results represent the highest quarterly sales and net earnings in the company's history.
- Comps rose by 6.3% during the quarter, beating the 4.9% consensus estimate. US comps were up 6.6% in the quarter. Total comps were driven by a 3.6% increase in average ticket and a 2.6% increase in customer transactions. All merchandising departments posted positive comps, with lumber, electrical, tools and flooring registering double-digit comps in the quarter.
- Management increased its FY17 guidance for net revenues, which it now expects to increase by 5.3%, versus the 5.1% consensus estimate. Management expects full-year comp growth of 5.5%, versus the consensus estimate of 5.1%. Home Depot raised its FY17 EPS guidance from \$7.15 to \$7.29, citing expected stock repurchases of \$7 billion; consensus calls for full-year EPS of \$7.28.

2Q17 Results

Home Depot reported 2Q17 EPS of \$2.25, which was ahead of the \$2.21 consensus estimate and up 14% from the year-ago quarter. Total revenues were \$28.1 billion, up 6.2% from the year-ago quarter and ahead of the consensus estimate. Big-ticket sales—or transactions over \$900, which represent 22% of Home Depot's US sales—were up 12.4%. The online business reported sales growth of 23% for the quarter and accounted for 6.4% of total sales.

Sales per square foot rose by 5.9% compared with the year-ago quarter, reaching \$464.

Comps rose by 6.3%, versus the 4.9% consensus estimate. Comps for US stores were up 6.6%. Internationally, Mexico and Canada posted positive comps in local currency. Comp growth was driven by a 3.6% increase in average ticket spend and a 2.6% increase in customer transactions.

The Pro and DIY categories grew at healthy rates in the quarter, with Pro sales outpacing DIY sales. All merchandising departments posted positive comps, led by appliances, lumber and flooring, all of which posted double-digit comps. Building materials, appliances, indoor garden and decor were above the company average. Plumbing, millwork, kitchen and bath, outdoor garden, hardware, paint, and lighting all registered positive results, but were below the company average.



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In the first six months of the year, Home Depot opened four new stores, three in the US and one in Mexico.

FY17 Outlook

The company continues to see positive signs in the housing data as well as in the repair and remodel market in the US, which is growing on the back of price appreciation and the reemergence of first-time homebuyers.

Home Depot increased its FY17 guidance, and now expects net revenues to increase by 5.3% and comps to increase by 5.5%. The consensus estimates call for sales growth of 5.1% and same-store sales growth of 5.1%.

The company raised its full-year EPS guidance from \$7.15 to \$7.29, which represents a 13% year-over-year increase and includes the impact of \$7 billion of share repurchases. The consensus calls for full-year EPS of \$7.28.



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