



THE HOME DEPOT

CONSUMER DISCRETIONARY
SPECIALTY RETAIL SUBSECTOR
WINTER 2024

Meet the Team



Ben Calhoon

Sector Lead
Finance & Data Science '27



Vishal Tatini

Lead Analyst
Finance & Information Systems '27



Hunter McKay

Analyst
Finance & Information Systems '26



Gabby O'Donnell

Analyst
Finance & Information Systems '26



Pierson LaPlante

Analyst
Finance '26



Kimberly Soewanto

Analyst
Finance '27



Ali AlSharqi

Analyst
Finance '27



Bhargava Perumalla

Analyst
Computer Science '27

Today's Agenda

UWIG



Company Overview

Competitor Analysis

Investment Thesis

Valuation

Risks/Mitigations/Catalysts

Recommendation

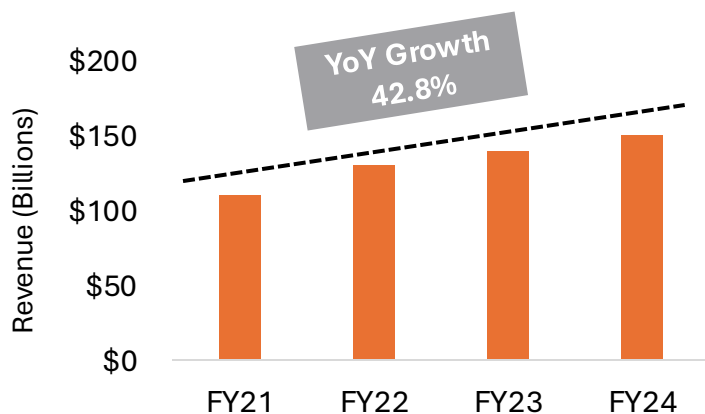
Company Overview



Description

- Founded in **1978**
- Home Improvement Industry
- **1 million+** products sold online and in stores
- Revenue **\$157 Billion**
- **2300** stores across US, Mexico and Canada
- E-commerce, private contractors, installation service

Yearly Revenue



Locations



Comps

| | | | |
|-------------------|----------------|------------------|-----------------|
| Market Cap | \$366B | Total Revenue | \$159B |
| Forward P/E Ratio | 24.73x | Enterprise Value | \$443.5B |
| EBITDA Margin | 16% | EV/EBITDA | 17.12x |
| Debt/Equity | 13.48x | EV/Revenue | 2.8x |
| Net Income | \$14.8B | Forward P/E | 24.73x |

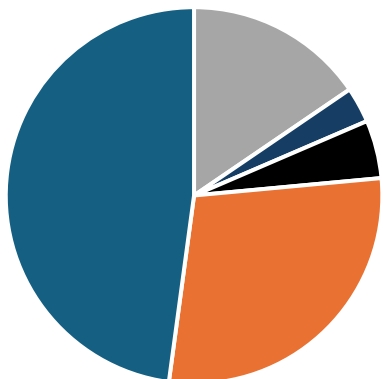
Industry Overview



Description

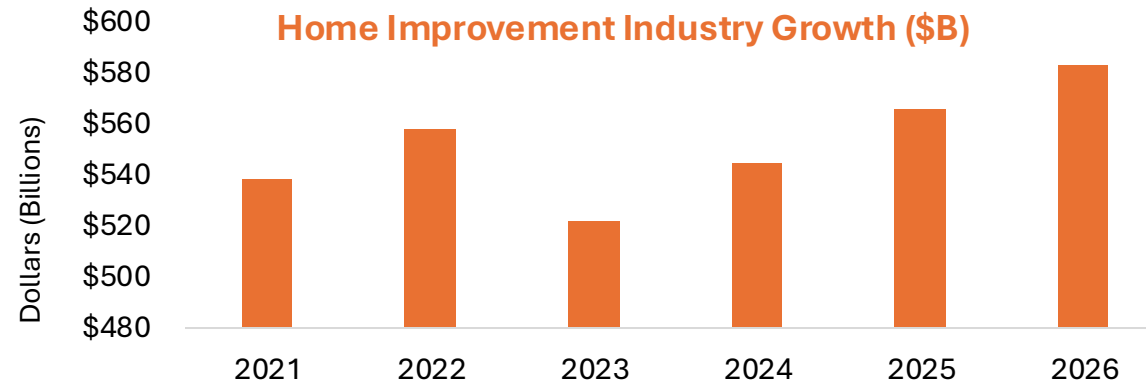
The home improvement industry is made up of various manufactures, retailers and suppliers that sell products for **property renovation**. Their target audience consists of **homeowners, contractors, and other retailers**. Besides Home Depot, the home improvement industry consists of Lowe's, Wayfair, Walmart, Floor & Decor, and Arhaus.

Market Info



■ Lowe's ■ Wayfair ■ Walmart ■ Home Depot ■ Other

Locations



Key Players & Factors

Drivers

- Housing Market
- DIY Trends and Convenience
- E-commerce
- Surge in Home Renovations

Constraints

- Inflation
- Construction Shortages
- Economic Uncertainty

Competitor Analysis



Competitor Analysis



✘ **1,700+** stores provide a strong retail presence.

✘ Investing in **regional distribution centers** to improve supply chain.

✘ Lowe's has a **28% market share**, making it Home Depot's biggest competitor.

✘ **2,200+** ensures better market reach.

✘ Larger **fulfilment network & local hubs** reduce stockouts and speed up restocking.

✘ **47% market share** allows Home Depot to attract more customers than competitors.



Home Depot maintains a larger online and in store presence

✘ Overview

○ Investment Thesis

○ Valuation

○ Risks

○ Catalysts

○ Recommendation



- × Massive e-commerce dominance.

- × Growing B2B (Amazon Business) attracts contractors and bulk buyers.

- × Competitive pricing due to dynamic price adjustments.

- × 2,200+ physical stores provide hands-on access.

- × Expert in-store advice & contractor services give a personalized experience Amazon lacks.

- × Bulk pricing & Pro loyalty programs offer competitive deals for high-volume buyers.



Home Depot allows contractors to physically select items

× Overview

○ Investment Thesis

○ Valuation

○ Risks

○ Catalysts

○ Recommendation



Thesis Point 1

Unique Market Changes Building Home Depot Growth

Thesis Point 2

Expanding Professional Market Share & Strategic Acquisitions

Thesis Point 3

Last-Mile Delivery Partnerships



Overview



Investment Thesis



Valuation



Risks



Catalysts



Recommendation

Thesis Point 1
Unique Market Changes Building
Home Depot Growth



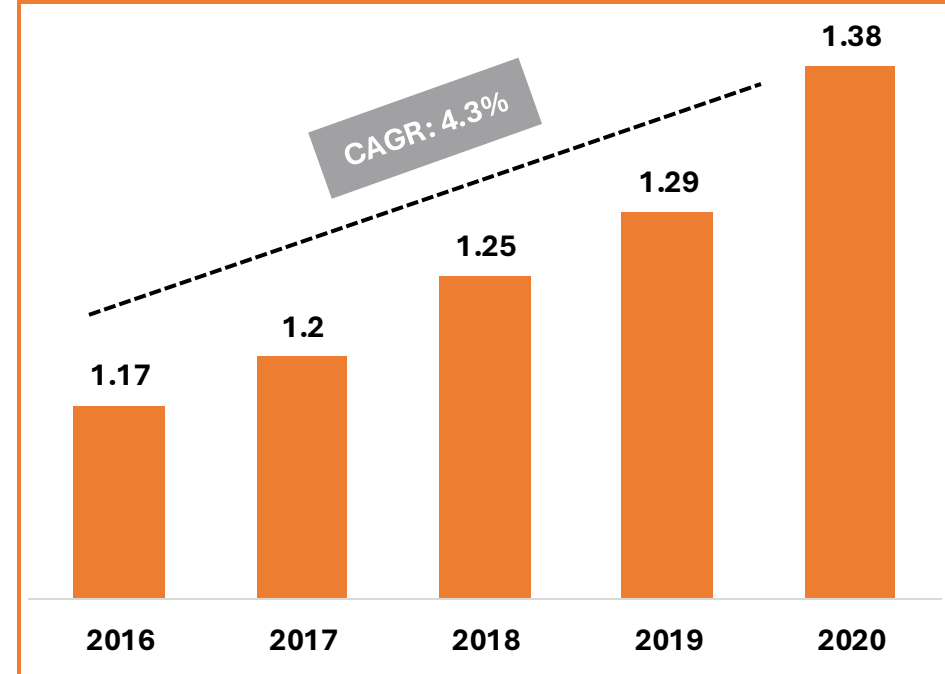
Regulatory Easing & Housing Starts



Key Policies Changes

- ✦ **NEPA Streamlining:** Shortens environmental reviews.
- ✦ **Executive Order 13807:** Aims for **faster** federal permitting.
- ✦ **WOTUS Redefinition:** Frees **more land** for development.
- ✦ **Opportunity Zones:** Tax incentives spurring redevelopment.

Pres. Trump's Era Housing Starts (M)



The number of new residential construction projects initiated serves as a key indicator of construction activity.

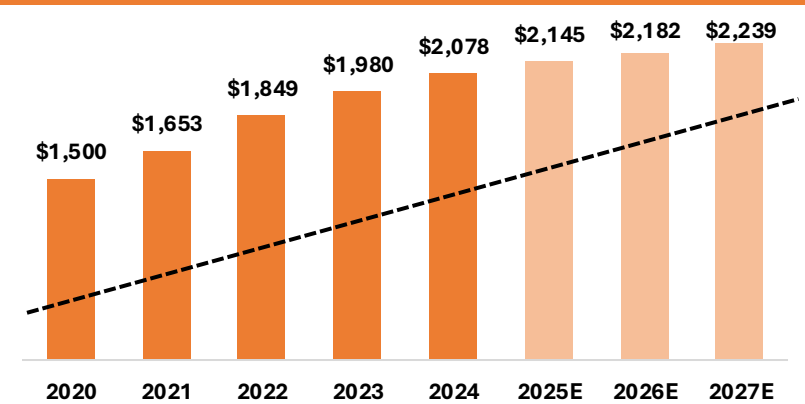
Pro Segment – The Key to HD’s Advantage



What makes Pro Special?

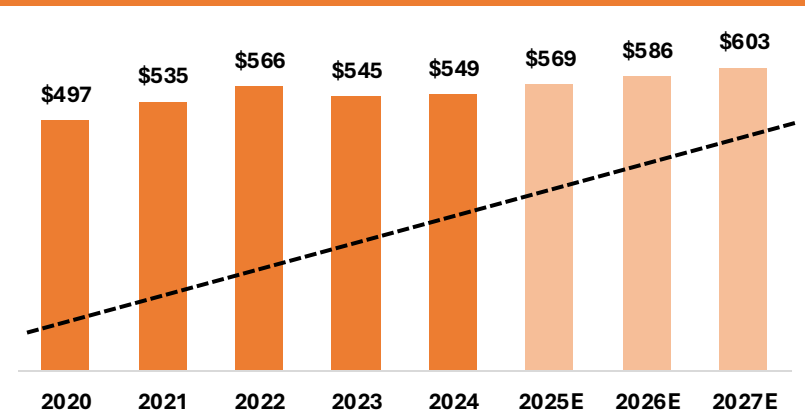
- ✦ **Growing Demand:** As construction volume rises (housing starts, remodeling, disaster rebuilds), **Pros handle bigger, higher-spend projects.**
- ✦ HD’s Pro focus = **bulk purchasing, special services, and loyalty programs.**
- ✦ **Faster construction = more Pro spend,** favoring Home Depot over competitors.
- ✦ **Pro Sales = 50%** of HD’s revenue (vs. 25–30% at Lowe’s).

Construction Spending in the U.S. (\$B)



CAGR: 5.73%

Home Improvement Spending in the U.S (\$B)



CAGR: 2.79%

Pro Segment – The Key to HD’s Advantage

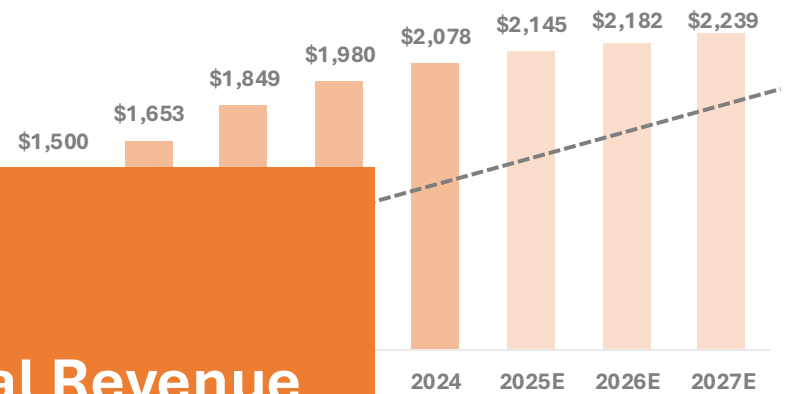


What makes Pro Special?

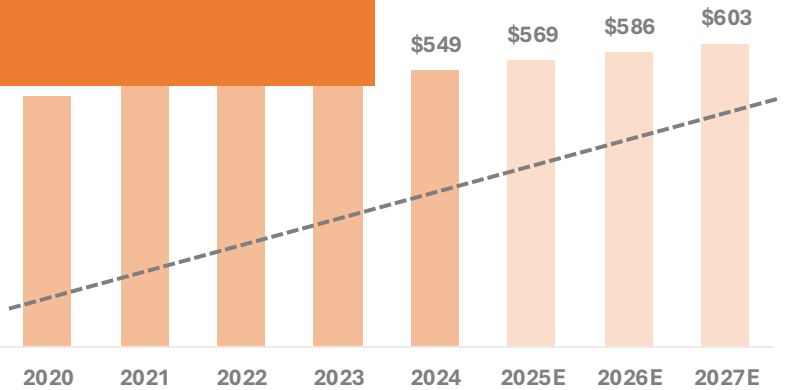
- ✦ **Growing Demand:** As construction volume rises (housing starts, remodeling, etc.), HD is better positioned to handle bigger, higher-spend projects.
- ✦ HD’s Pro focus = bulk purchasing, dedicated sales and loyalty programs.
- ✦ **Faster construction** = more projects completed, driving more revenue to HD over competitors.
- ✦ **Pro Sales = 50%** of HD’s revenue (vs. 25–30% at Lowe’s).

\$3B–\$5B in Incremental Revenue

Construction Spending in the U.S. (\$B)



Construction Spending in the U.S. (\$B)



Natural Disasters Driving Rebuild Demand



| Disaster Type | Example Event | Structures Affected | Rebuild Material Cost per Structure | Home Depot Market Share | Estimated Incremental Sales |
|--------------------|---|--------------------------------|-------------------------------------|-------------------------|--------------------------------|
| Wildfires | California Wildfires | 5,000–10,000 per severe season | \$50,000 – \$100,000 | 20–30% | \$100–\$300 million per season |
| Hurricanes | Hurricane Harvey (2017), Hurricane Ida (2021) | >200,000 damaged or destroyed | \$30,000 – \$150,000 | 15–20% | \$300–\$600 million per event |
| Floods & Tornadoes | Midwest Floods & Tornado Outbreaks | 1,000–5,000 per event | \$30,000 – \$150,000 | 15–20% | \$50–\$100 million per event |

Natural Disasters Driving Rebuild Demand






| Disaster Type | Example Event | Structures Affected | Rebuild Material Cost per Structure | Home Depot Market Share | Estimated Incremental Sales |
|--------------------|--|-----------------------|-------------------------------------|-------------------------|--------------------------------|
| Wildfires | California | | | 30% | \$100–\$300 million per season |
| Hurricanes | Hurricane (2017), Hurricane Ida (2021) | | | 20% | \$300–\$600 million per event |
| Floods & Tornadoes | Midwest Floods & Tornado Outbreaks | 1,000–5,000 per event | \$30,000 – \$150,000 | 15–20% | \$50–\$100 million per event |

\$1B–\$2B in Incremental Revenue

Hammering Home the Revenues



|  |  |  |
|---|--|---|
| Deregulation | Disaster Rebuilds | Combined Potential |
| Could raise housing starts by ~5% annually → Extra \$3B–\$5B in annual sales (Home Depot captures a large share due to Pro dominance). | Could add another \$1B–\$2B in near-term revenue spikes (per set of disasters). | Up to \$3B–\$7B in incremental revenue, reinforcing HD's growth runway. |

Thesis Point 2

Expanding Professional Market Share
through Strategic Acquisitions



Home Depot's Successful Acquisition History



The Company Store (2017)

A leading online retailer of textiles and home décor products

SRS Distribution (2024)

Leading distributors of roofing materials and building products

HD Supply (2020)

Wholesale distributor of products and services for maintenance, repair, and operations

Company Store

- **Acquisition Overview:** In 2017, Home Depot acquired The Company Store, a online retailer specializing in home textiles and décor products
- **Market Impact:** The acquisition expanded Home Depot's online presence in the home décor market, strengthening its ability to offer high-quality textiles and soft goods
- **Financial Performance:** In 2018, online sales increased by over 26% compared to the previous year, with online channels accounting for 7.9% of Home Depot's total net sales.

HD Supply

- **Acquisition Overview:** In 2020, Home Depot acquired HD Supply, an industrial distributor for \$8 billion, expanding into the MRO market.
- **Market Impact:** The acquisition helped Home Depot capture a 10% share of the MRO market within a year, strengthening its Pro customer base.
- **Financial Performance:** While Home Depot didn't break out HD Supply's financials, it saw a 25.1% YoY sales increase in 2021, indicating strong acquisition-driven growth.

Home Depot's Successful Acquisition History



The Company Store (2017)

A leading online retailer of textiles and home décor products

SRS Distribution (2024)

Leading distributors of roofing materials and building products

The **successful** integration of HD Supply and The Company Store highlights Home Depot's ability to **extract value** from acquisitions, and SRS is positioned to follow a similar trajectory

- **Acquisition Overview:** In 2017, Home Depot acquired The Company Store, a leading online retailer of textiles and home décor products
- **Market Impact:** The acquisition expanded Home Depot's online presence in the home décor market, strengthening its ability to offer high-quality textiles and soft goods
- **Financial Performance:** In 2018, online sales increased by over 26% compared to the previous year, with online channels accounting for 7.9% of Home Depot's total net sales.

- **Market Impact:** The acquisition helped Home Depot capture a 10% share of the MRO market within a year, strengthening its Pro customer base.
- **Financial Performance:** While Home Depot didn't break out HD Supply's financials, it saw a 25.1% YoY sales increase in 2021, indicating strong acquisition-driven growth.

Home Depot acquired HD Supply for \$1.5 billion, expanding into the MRO market

Overview of SRS's Business

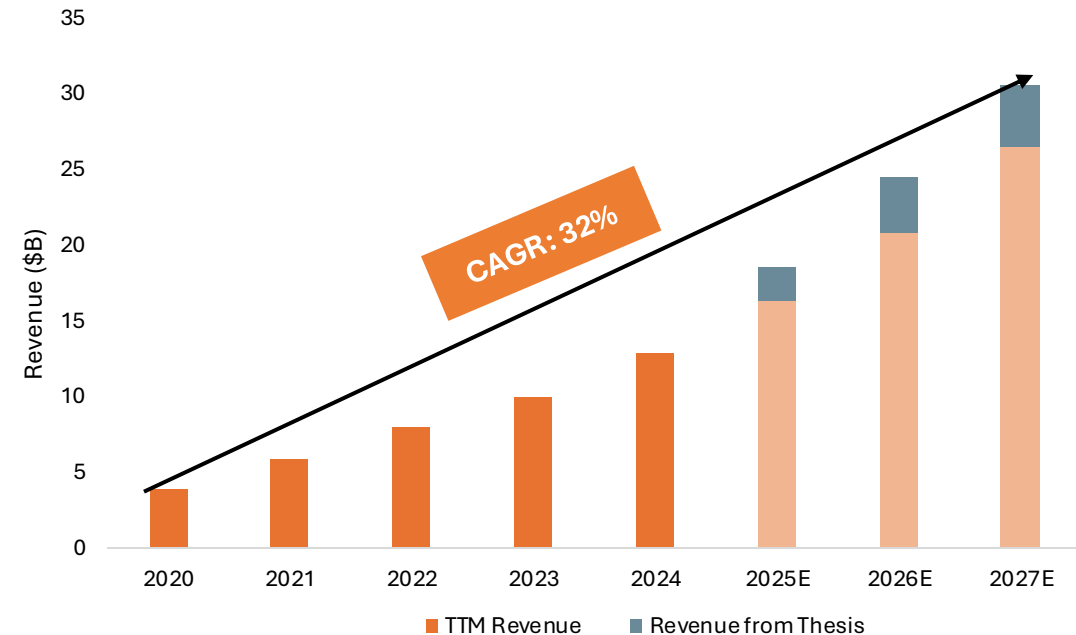


Overview of SRS's Business

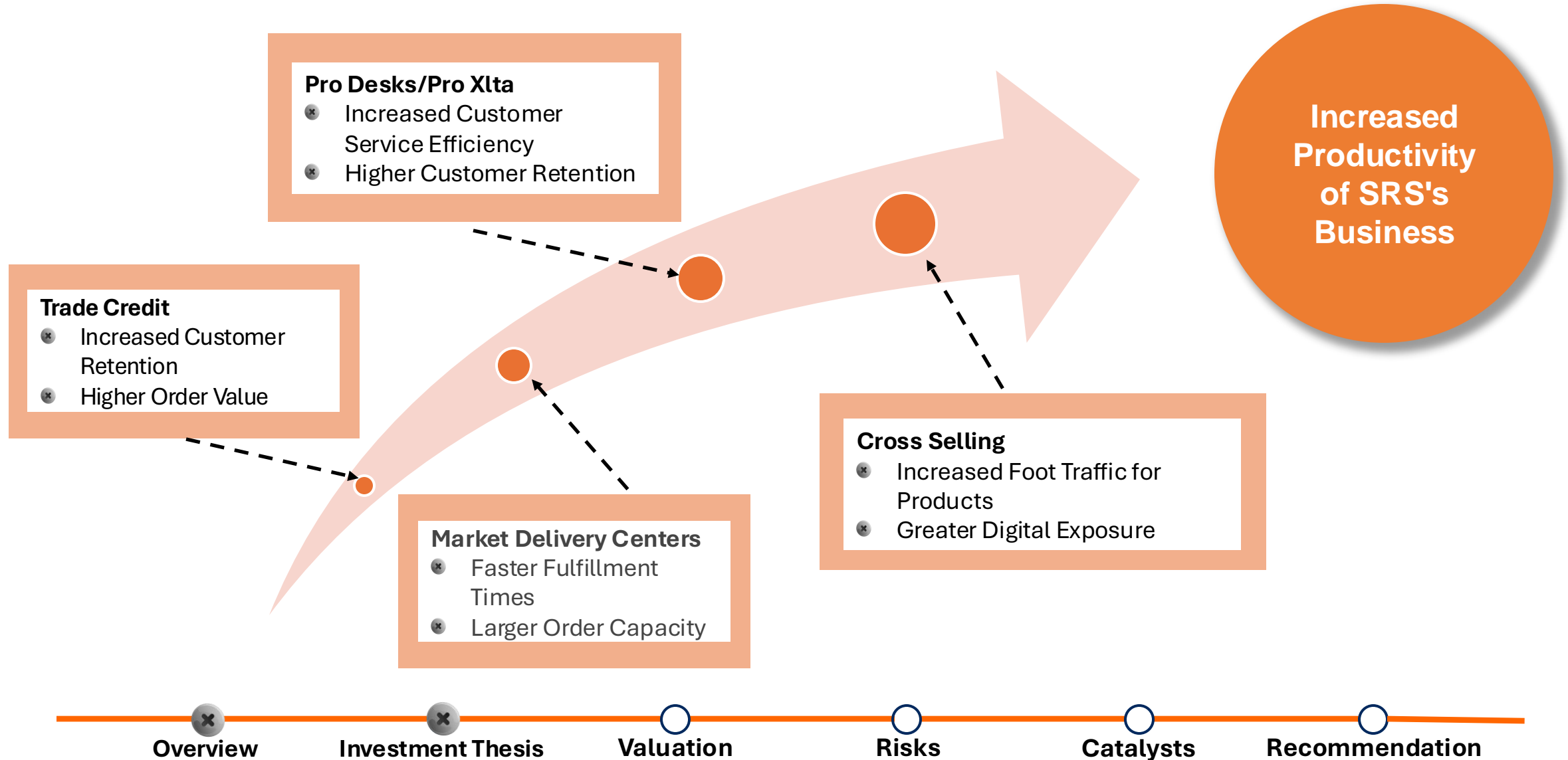
SRS Distribution is a leading building products distributor specializing in **roofing, siding, insulation, stone, and other construction materials**, primarily serving **professional contractors** in the residential and commercial markets.

- ✖ **11,000 employees, 780+ locations** in roofing, pool construction & landscaping.
- ✖ Acquisition adds **\$50B** to Home Depot's addressable market, pushing it toward a \$1T TAM.
- ✖ SRS contributed **\$6.4B** in incremental sales post acquisition in late June

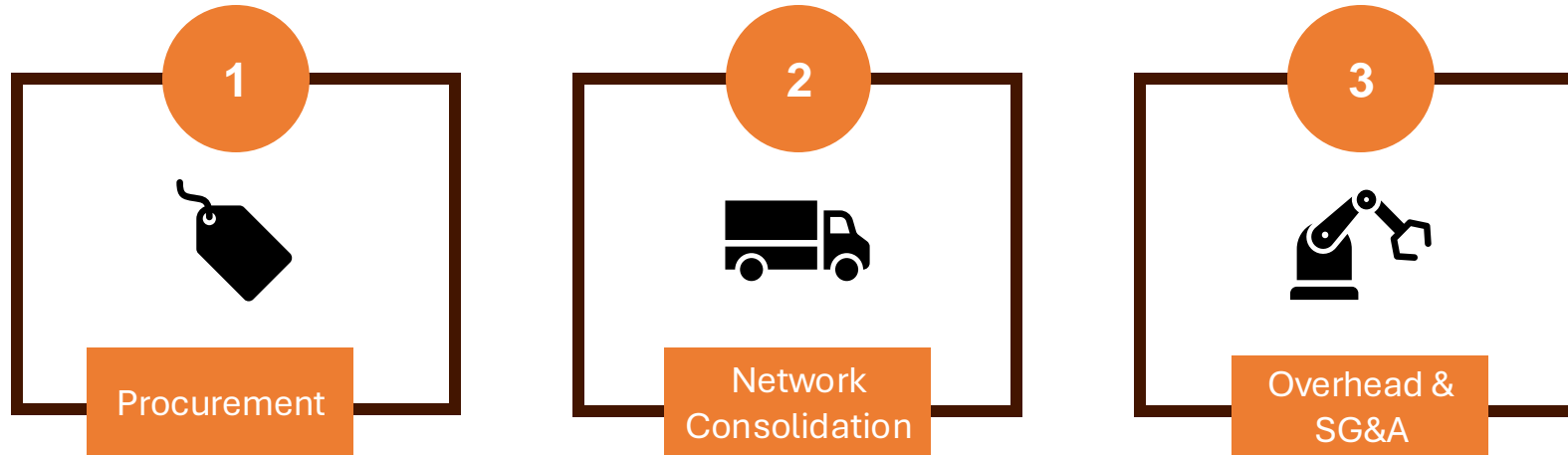
SRS Revenue



Home Depot's Effect on SRS's Business



Cost Saving Synergies between Home Depot & SRS



Quantifying Incremental Revenue and Cost Savings

UWIG



| Revenue Driver (Billions) | 2025 | 2026 | 2027 | Total Incremental Revenue |
|--|---------|---------|---------|---------------------------|
| Cross-Selling at Home Depot Pro Desks | \$0.755 | \$1.133 | \$1.246 | \$2.001 |
| Fleet Consolidation (Integrating SRS's 4,000-truck fleet) | \$0.529 | \$0.906 | \$0.997 | \$1.526 |
| Trade Credit Expansion | \$0.604 | \$0.982 | \$1.080 | \$1.684 |
| Pro Xtra & Customer Experience Managers | \$0.378 | \$0.604 | \$0.665 | \$1.042 |
| Total Estimated Revenue Growth | \$2.266 | \$3.625 | \$3.987 | \$6.253 |
| Cost-Saving Area (Billions) | 2025 | 2026 | 2027 | Total Cost Savings |
| Procurement Efficiencies (Bulk purchasing power & vendor consolidation) | \$0.150 | \$0.300 | \$0.500 | \$0.950 |
| Fleet Consolidation (Integrating SRS's 4,000-truck fleet) | \$0.075 | \$0.150 | \$0.250 | \$0.475 |
| SG&A Reductions (Admin, IT, HR, and back-office synergies) | \$0.120 | \$0.240 | \$0.400 | \$0.760 |
| Total Yearly Cost Savings | \$0.345 | \$0.690 | \$1.190 | \$2.250 |



Quantifying Incremental Revenue and Cost Savings



| Revenue Driver (Billions) | 2025 | 2026 | 2027 | Total Incremental Revenue |
|---|---------|---------|---------|---------------------------|
| Cross-Selling at Home Depot Pro Desks | \$0.755 | \$1.133 | \$1.246 | \$2.001 |
| Fleet Consolidation (Integrating SRS's 4,000-truck fleet) | | | | |
| Trade Credit Expansion | | | | |
| Pro Xtra & Customer Experience Managers | | | | |
| Total Estimated Revenue Growth | | | | |
| Cost-Saving Area (Billions) | | | | |
| Procurement Efficiencies (Buyer purchasing power & vendor consolidation) | | | | |
| Fleet Consolidation (Integrating SRS's 4,000-truck fleet) | \$0.075 | \$0.150 | \$0.250 | \$0.475 |
| SG&A Reductions (Admin, IT, HR, and back-office synergies) | \$0.120 | \$0.240 | \$0.400 | \$0.760 |
| Total Yearly Cost Savings | \$0.345 | \$0.690 | \$1.190 | \$2.250 |

Approximately **8 billion** in incremental revenue and cost savings over the next **3 years**



Flatbed Distribution Centers



First FDC Opened (2020)

Dallas, TX

Continued Growth (2024)

Detroit, MI ; Los Angeles, CA ; San Antonio, TX ; Toronto, ON, Canada

Initial Expansion (2021)

Perth, NJ ; Miami, FL

Distribution Centers

- **Strategic Investment:** The FDCs are a part of Home Depot's \$1.2 billion supply chain expansion initiative to enhance delivery services for professional construction sites.
- **Logistics:** FDCs are meant to streamline delivery of bulky products (lumber, roofing materials, drywall, concrete, etc...)
- **Cost:** Reduces costs by consolidating bulk deliveries.
- **Scale:** Home Depot aims to open 40 FDCs, along with expansion of normal distribution centers.

Competitive Landscape

- **Lowe's:** Despite setting plans to invest \$1.7 billion, Lowe's lags behind in FDC deployment and Pro-focused logistics.
- **Builders First Source & Ferguson:** Specialty Distributors offer strong competition in certain Pro segments but lack scale.
- **Amazon:** While Amazon dominates logistically, they currently lack the expertise and infrastructure needed for the Pro space.
- **Walmart:** While the B2B offerings at Walmart are growing, their distribution network is not optimized for bulk material.

Flatbed Distribution Centers



First FDC Opened (2020)

Dallas, TX

Continued Growth (2024)

Detroit, MI ; Los Angeles, CA ; San Antonio, TX ; Toronto, ON, Canada

“Almost all Pros interact with The Home Depot, but their level of engagement varies based on the complexity of their projects. We're building capabilities to ensure we can serve all Pros across all their project needs”
– Ted Decker, Home Depot CEO

• **Strategic Investment:** The company has invested \$1.2 billion supply chain and delivery services for professional contractors.

• **Logistics:** FDCs are meant to streamline delivery of bulky products (lumber, roofing materials, drywall, concrete, etc...)

• **Cost:** Reduces costs by consolidating bulk deliveries.

• **Scale:** Home Depot aims to open 40 FDCs, along with expansion of normal distribution centers.

strong competition in certain Pro segments but lack scale.

• **Amazon:** While Amazon dominates logistically, they currently lack the expertise and infrastructure needed for the Pro space.

• **Walmart:** While the B2B offerings at Walmart are growing, their distribution network is not optimized for bulk material.

Driving Online Sales Growth Through Partnerships

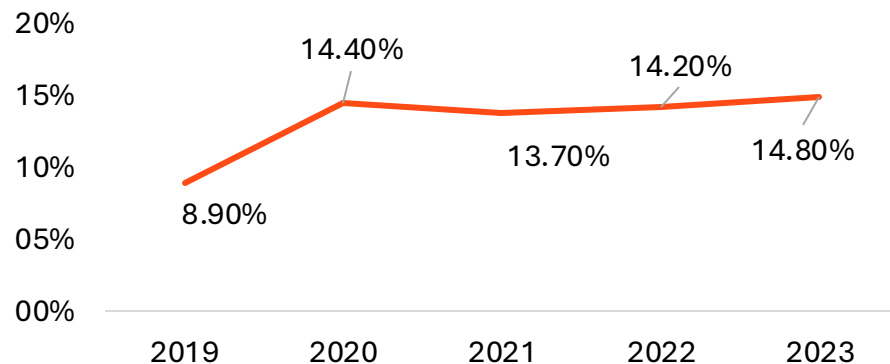


Existing Online Model

Currently, Home Depot already has a well integrated and thoroughly tested e-commerce and delivery service, accounting for about **\$22.6B** of net sales. Existing options include the following:

- **In-Store Pickup:** Free
- **Standard Delivery (1-2 days):** Free for purchases over \$45
- **Same Day Delivery (EOD):** Fees vary by location (\$4-15)
- **Large Items:** Free for appliances over \$396 or \$50+ fee

E-commerce as a % of Revenue



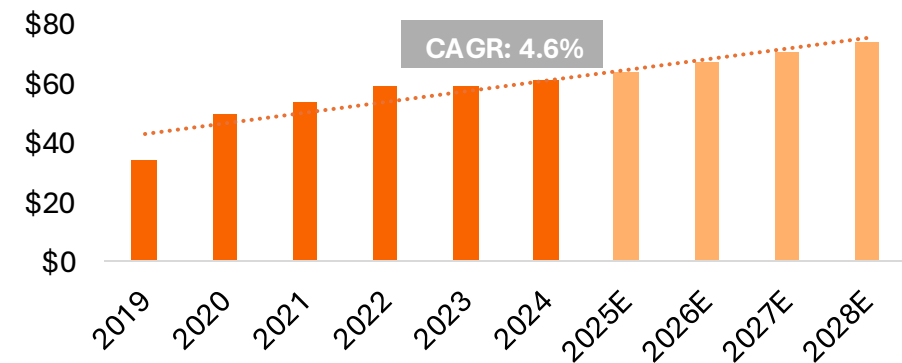
Doordash/Uber

The partnerships offer users a potentially significant improvement when compared to Home Depot's existing internal system.

- **Delivery Speed:** 1 hour or less
- **Product Availability:** Dependent on stock
- **Competitive Delivery Fees:** \$1.99 - \$7.99 or Free for subscription customers

This partnership allows Home Depot to match Lowe's offerings, keeping the company competitive in the space.

US E-commerce Sales (Trillions)



What do Uber and DoorDash Provide?

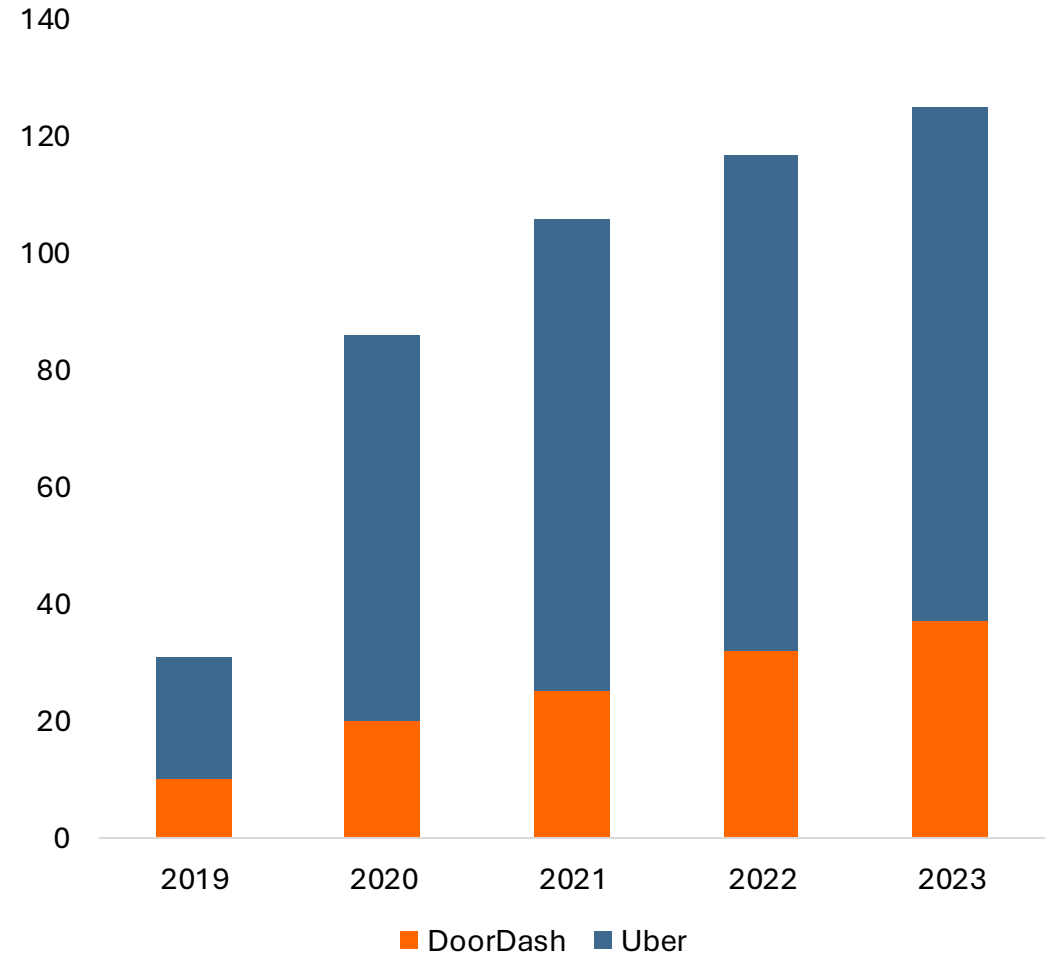


How is this Beneficial?

Home Depot's partnerships with DoorDash and Uber expands their same day delivery to nearly all **2000+ stores** nationwide and allows them to tap into nearly **43+ million subscription users** that may not have gone to Home Depot otherwise. This partnership provides a range of opportunities for Home Depot with limited risk.

- ✘ **Cost-Effective:** Cheaper than in-house alternative
- ✘ **Customers:** 25% shop at non-restaurant categories
- ✘ **Subscription:** Access to DashPass and Uber One users

Active Users (Million)



Benefits For Consumers



Construction

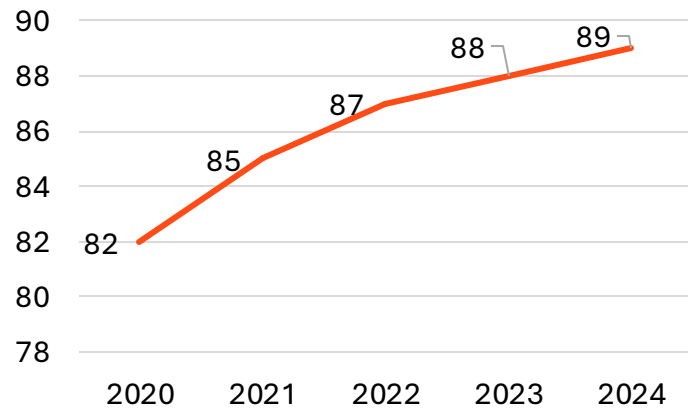


Contractors

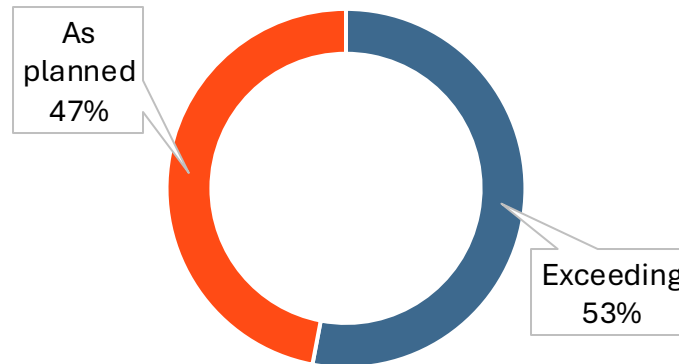


DIY

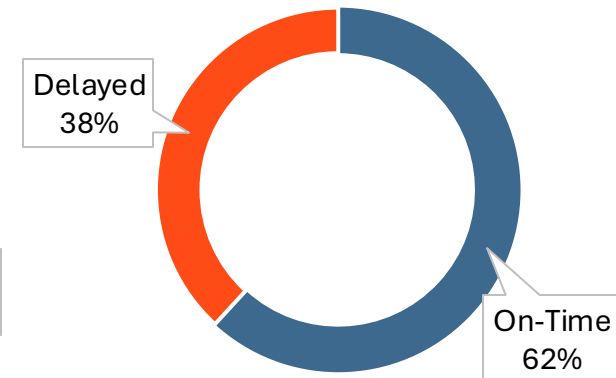
Percentage of Projects Delayed



Contractor Renovation Budget



Home Renovation Delays



Benefits For Consumers



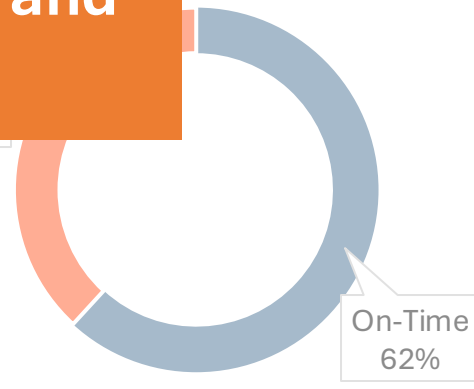
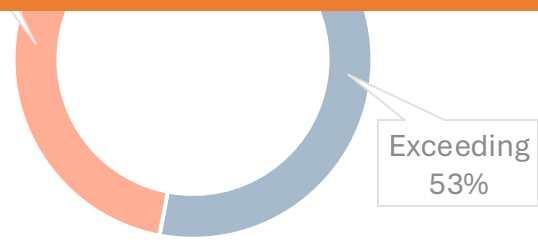
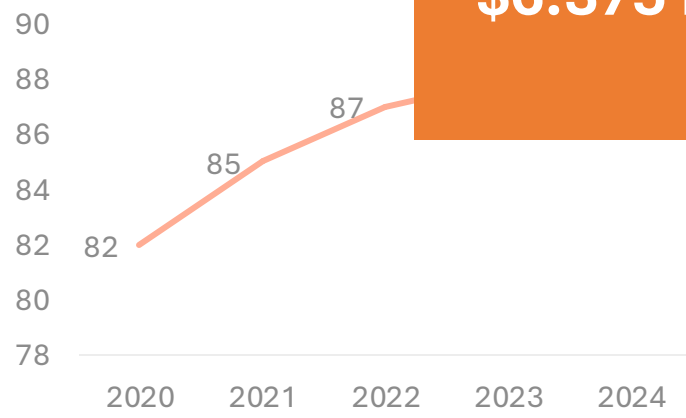
Home Depot's internal expansion and partnerships streamlines delivery by offering fast delivery directly to job sites, minimizing downtime and improving efficiency.
\$6.375 billion in Incremental Revenue and Cost Savings over 3 years

Constru

DIY

Percentage of
Delays

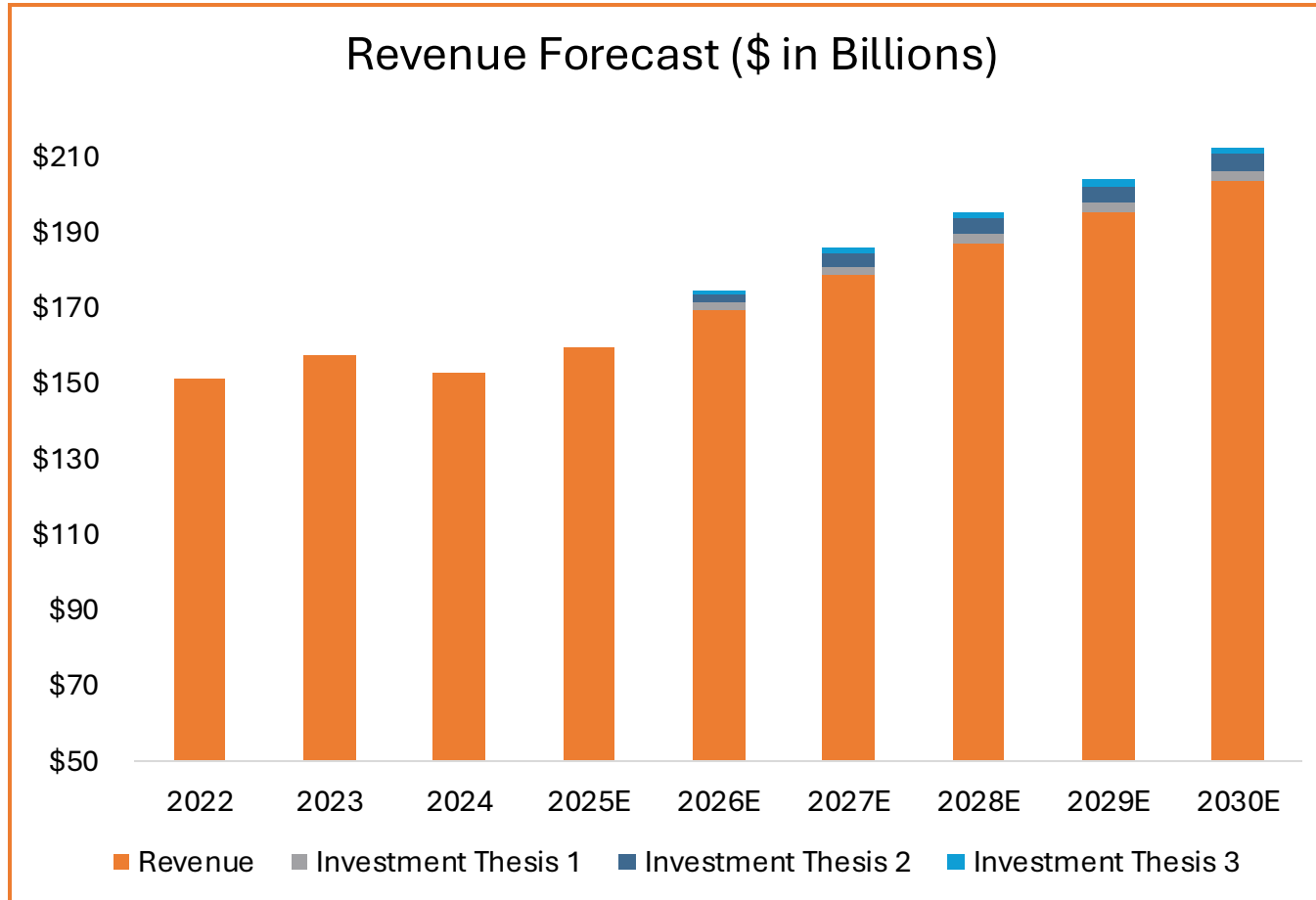
vation Delays



Valuation



Financial Analysis: Revenue Forecast



Regulatory Easing & Recurring Disaster Rebuild



\$7B

Incremental annualized revenue



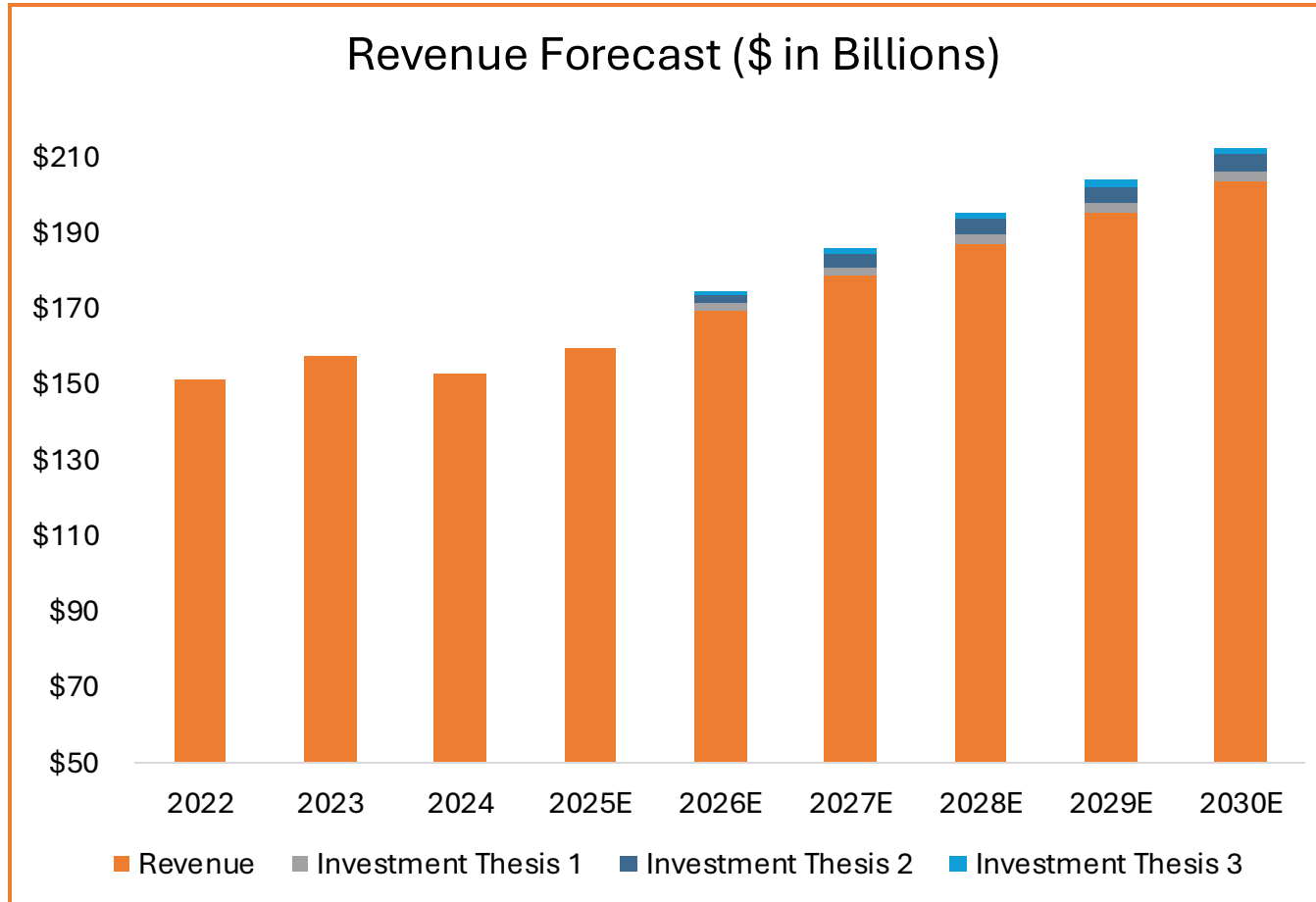
Home Depot Supply Chain



\$6.4B

Increment to revenue and cost savings

Financial Analysis: Revenue Forecast



Acquisition of SRS distribution

\$8B

Increment to revenue
over the next 3 years

Valuation Assumptions



| Bear | Base | Bull |
|-------------------------|-------|-------|
| WACC: | | |
| 10.59% | 9.59% | 8.59% |
| Perpetuity Growth Rate: | | |
| 2% | 2.5% | 3% |

Gordon Growth Method

| | |
|------------------------|---------|
| Terminal Value | 431,972 |
| Perpetuity Growth Rate | 2.50% |
| PV Terminal Value | 273,277 |
| Enterprise Value | 374,007 |
| Equity Value | 322,599 |
| Shares Outstanding | 993 |

Implied Share Price

\$324.87

Comparable Company Analysis

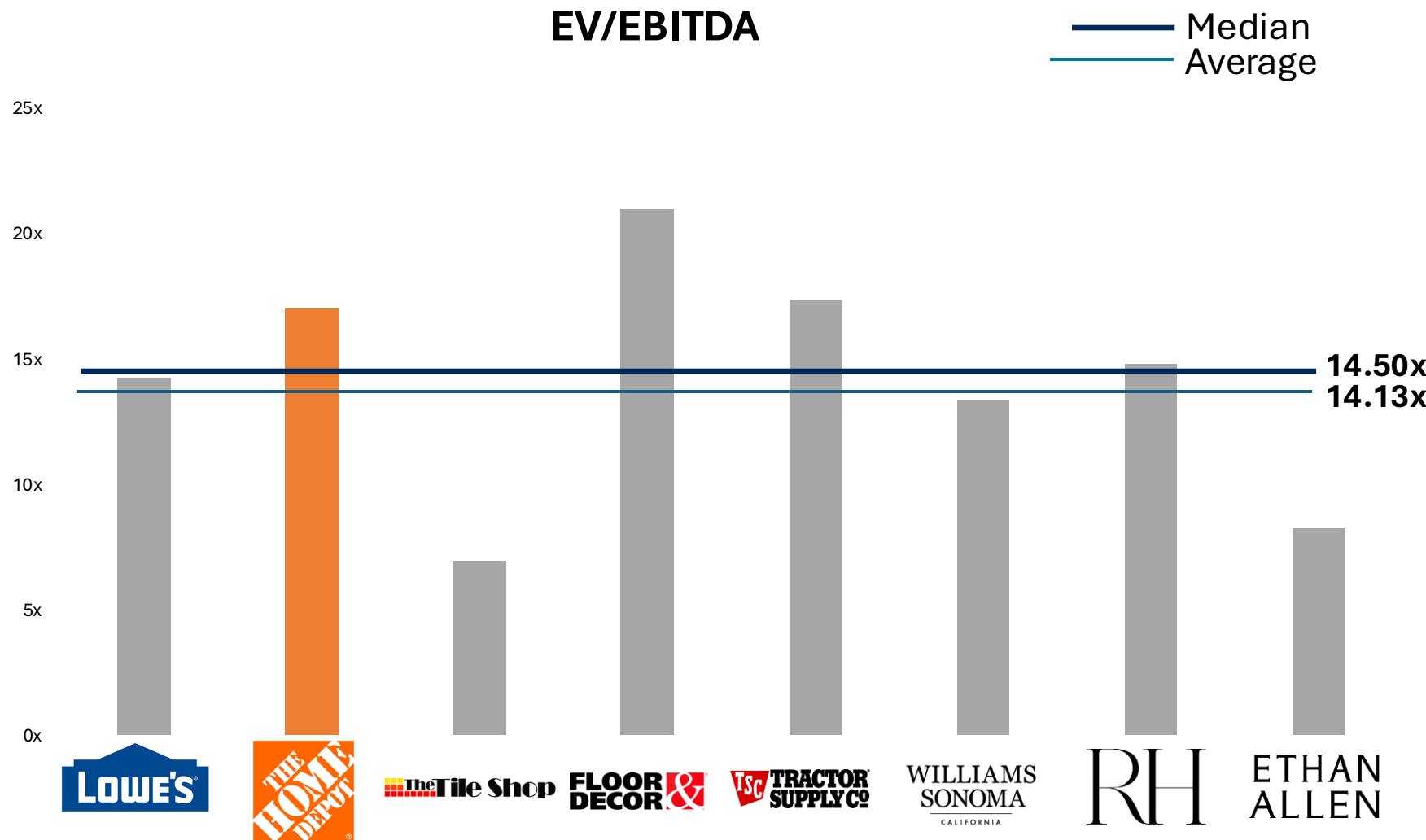


| Company | Ticker | Financial Data | | | | Valuation | | | | |
|---|--------|---------------------|-------------|-----------------|----------------------------|-----------|----------|------------------|----------------|---------------------------|
| | | Market Cap (\$M) | EV (\$M) | EBITDA (\$M) | Forward EBITDA (\$M) | EPS x | P/E x | Forward P/E x | EV/EBITDA x | Forward EV/EBITDA x |
| THE HOME DEPOT, INC. (XNYS:HD) | HD | 365,731 | 432,790 | 25,280 | 25,428 | 14.72x | 25.11x | 24.73x | 17.12x | 17.02x |
| LOWE'S COMPANIES, INC. (XNYS:LOW) | LOW | 130,250 | 171,500 | 12,060 | 12,120 | 12.03x | 20.25x | 19.49x | 14.22x | 14.15x |
| TILE SHOP HOLDINGS, INC. (XNAS:TTSH) | TTSH | 297 | 418 | 60 | 60 | 0.05x | 98.04x | | 6.98x | 6.98x |
| FLOOR & DECOR HOLDINGS, INC. (XNYS:FND) | FND | 9,648 | 11,620 | 711 | 553 | 1.90x | 49.95x | 47.27x | 16.34x | 21.02x |
| TRACTOR SUPPLY COMPANY (XNAS:TSCO) | TSCO | 28,661 | 35,580 | 2,358 | 2,048 | 2.17x | 29.37x | 24.73x | 15.09x | 17.37x |
| WILLIAMS-SONOMA, INC. (XNYS:WSM) | WSM | 298 | 23,290 | 1,638 | 1,742 | 8.44x | 21.79x | 21.93x | 14.22x | 13.37x |
| RH (XNYS:RH) | RH | 4,279 | 8,000 | 579 | 539 | 5.78x | 61.22x | 40.27 | 13.81 | 14.85x |
| ETHAN ALLEN INTERIORS INC. (XNYS:ETD) | ETD | 701 | 692 | 119 | 84 | 2.36x | 11.92x | 11.75 | 5.83 | 8.28x |
| Average | | | | | | 7.18x | 39.71x | 30.50x | 12.95x | 14.13x |
| Median | | | | | | 6.97x | 27.24x | 24.73x | 14.22x | 14.50x |

Comparable Company Analysis



EV/EBITDA

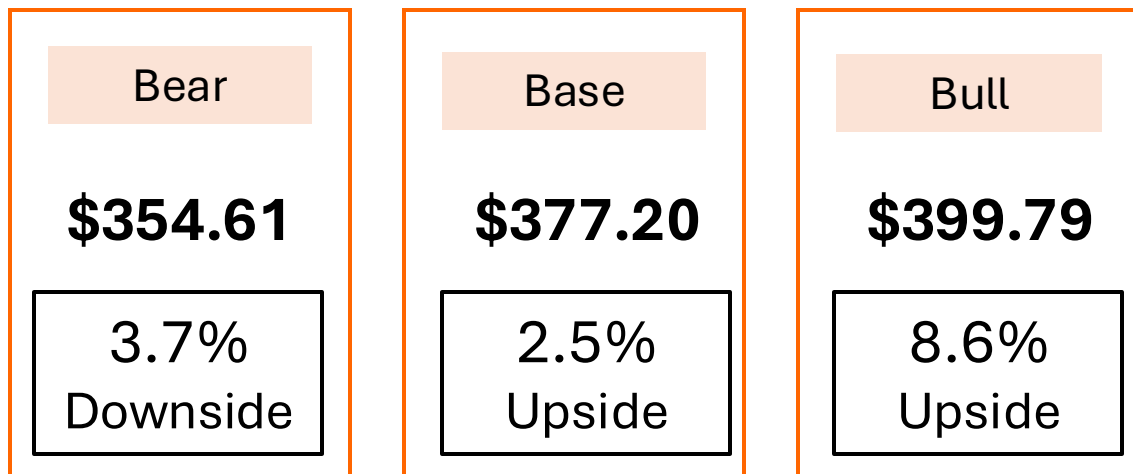


| NTM EV/EBITDA | Implied Share Price |
|---------------|---------------------|
| 13.5x | \$354.61 |
| 14.5x | \$377.20 |
| 15.5x | \$399.79 |

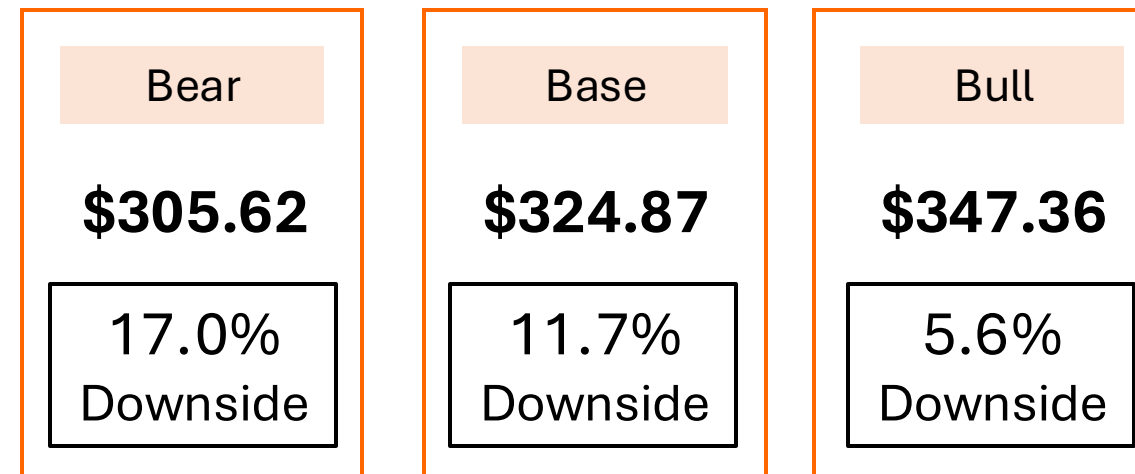
Discount Cash Flow Valuation



Exit Multiple Method:



Gordon Growth Method:



50%

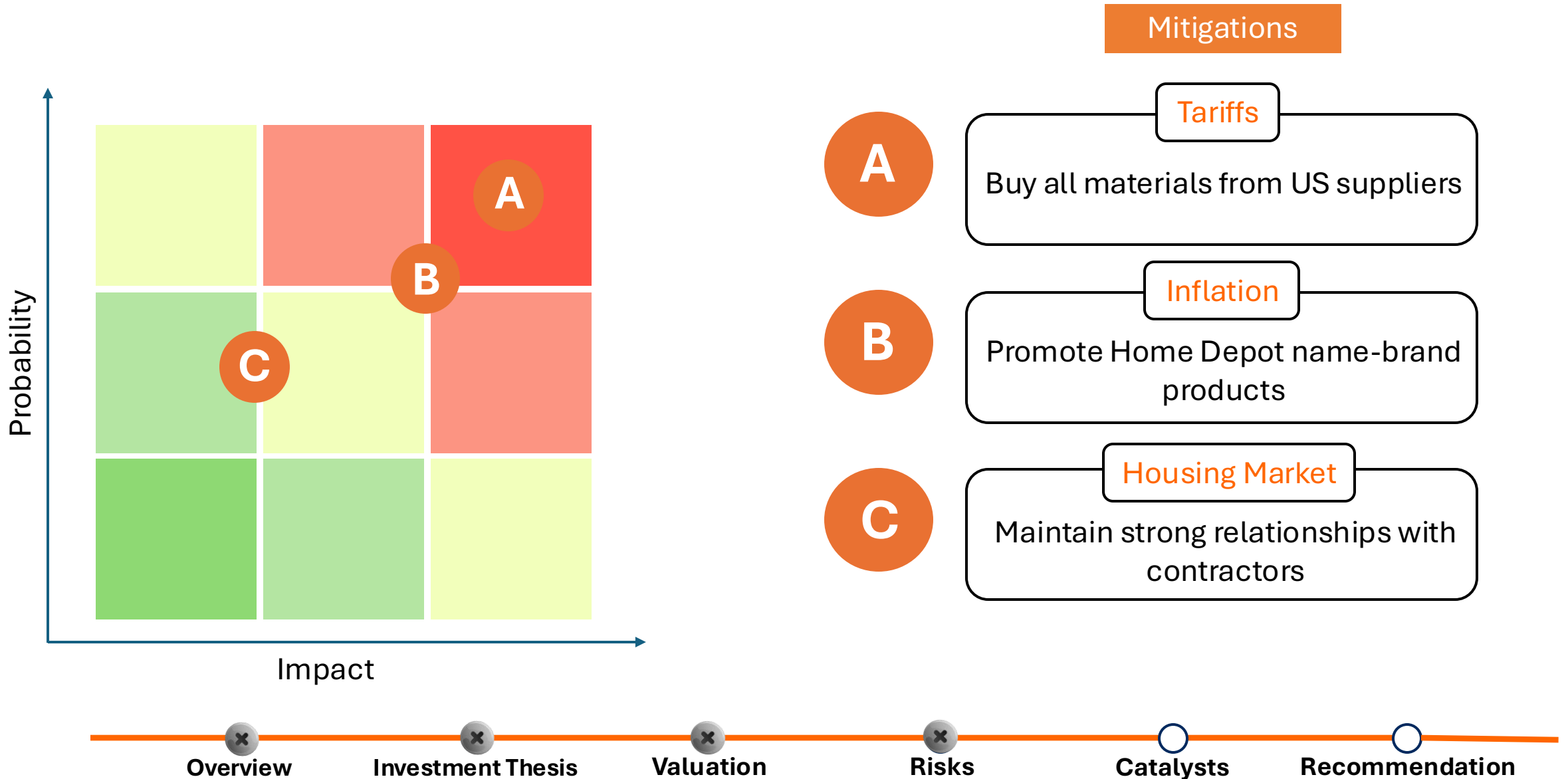
50%

Price Target: \$351.01

Risks and Mitigation



Risks and Mitigations



Catalysts





Enhanced Delivery

Immediate access to supplies
boosts sales and customer
satisfaction

0 - 3 months

Expand Pro Xtra

Gradual increase in loyalty and
sales from professional
customers

6 - 12 months

More Productivity

SRS Acquisition enhances
inventory management and job-
site delivery

12 - 18 months

Recommendation





Investment Thesis

| | |
|---|----------------------------------|
| 1 | Market Changes |
| 2 | Expansion of Professional Market |
| 3 | Strategic Partnerships |



HOLD
Price Target: \$351.01

Appendix



Company Overview
Industry Overview
Competitor Analysis – Lowes
Competitor Analysis – Amazon
Regulatory Easing & Housing Starts
Pro Segment – Key to HD Advantage
Natural Disaster Rebuild Demand
Combined Revenue
Acquisition History
SRS Overview
Home Depot + SRS
Cost Saving Synergies
Qualifying Incremental Rev/Cost Saving
Flatbed Distribution Centers
Online Sales Growth
Uber + DoorDash Benefit

Benefits for Customers
Financial Analysis Rev Forecast
Valuation Assumptions
Comps Table
Comps Analysis
DCF Valuation
Risks and Mitigations
Catalysts
Valuation Assumptions
Thesis Point 1 Rev Breakdown
Deregulation Assumptions
Natural Disasters
ND – Not Priced In
Home Depot over Comps
Thesis Point 2 Case Study

Sources for Incremental Rev
Home Depot Pro Segment
First Source Acquisition
Distribution Incremental Rev
Competitor Overview
Risks and Mitigations
WACC
Expanded Comps

Explaining the \$3–\$5 Billion Incremental Revenue



| Key Assumptions | HD's Pro Dominance | Revenue Impact |
|--|--|---|
| <ul style="list-style-type: none">Previous Growth in Housing Starts: ~3% annuallyTrump-Era Growth: ~5% annuallyIncremental: +2% growth from deregulation | <ul style="list-style-type: none">Pro segment accounts for roughly 50% of HD's revenue—far above competitors' 25–30%.Higher per-project spending and contractor loyalty translate into incremental revenue. | <ul style="list-style-type: none">A 2% increase in half of HD's revenue = +1% overall liftFor a \$150B revenue base, +1% = \$1.5BOver multiple years, this supports the \$3–\$5B incremental revenue figure |

Deregulation – Assumptions, Sources, & Relevance



| Assumption Topic | Source & Link | Relevance |
|---|--|---|
| <p>Deregulation & Housing Starts – Incremental Revenue (\$3–\$5B)</p> | <ul style="list-style-type: none"> ✘ U.S. Census Bureau – New Residential Construction ✘ Federal Register – NEPA Streamlining ✘ Federal Register – Executive Order 13807 ✘ Federal Register – WOTUS Redefinition ✘ IRS – Opportunity Zones ✘ Harvard Joint Center for Housing Studies ✘ Home Depot 10-K Filings (SEC EDGAR) ✘ IBISWorld Home Improvement Retail Report | <ul style="list-style-type: none"> ✘ Previous years saw housing starts grow at ~3% annually. ✘ Trump’s first term (2016–2020) averaged ~5% annual growth. ✘ This extra 2% in overall construction activity is particularly impactful for Home Depot’s Pro segment. ✘ Since Pro is ~50% of HD’s total revenue, a 2% bump in half the business yields ~1% total revenue lift. |

Natural Disasters – Assumptions, Sources, & Relevance



| Assumption Topic | Source & Link | Relevance |
|--|--|--|
| Natural Disasters – Incremental Revenue (\$1–\$2B) | <ul style="list-style-type: none">× CAL FIRE Incident Archives× NOAA National Hurricane Center Data× FEMA Disaster Declarations× Insurance Institute for Business & Home Safety (IBHS)× NOAA Seasonal Hurricane Forecasts× IPCC Reports | <p>These sources provide data on the frequency, severity, and rebuild costs of natural disasters.</p> <p>They inform our estimates of affected structures and material costs (e.g., \$50K–\$100K per structure for wildfires, \$30K–\$150K for hurricanes), supporting our \$1–\$2B incremental revenue projection from recurring disaster events.</p> |

Incremental Revenue from Natural Disasters – Not Priced In? UWIG



| Recurring Rebuild Demand | HD's Unique Position |
|--|--|
| <ul style="list-style-type: none">•Although disasters are cyclical, each event creates a new wave of rebuild demand.•Forecasts from NOAA, FEMA, and the IPCC suggest increased frequency and severity of natural disasters due to climate change. | <ul style="list-style-type: none">•Home Depot's dense network and dominant Pro segment enable it to capture a higher share of rebuild spending.•Historical averages may be priced in, but the potential for new, clustered events remains an underpriced opportunity. |

Why Invest in Home Depot Over Pure-Play Competitors? UWIG



| Diversified Business Model | Operational Strength |
|--|--|
| <ul style="list-style-type: none">• Home Depot spans DIY and Pro segments unlike pure-play homebuilders or manufacturers.• This diversification mitigates risks associated with cyclical construction or raw material price volatility. | <ul style="list-style-type: none">• Extensive store network, robust supply chain, and dominant Pro offerings provide multi-catalyst exposure.• These factors position HD to capture revenue from both regulatory-driven construction booms and disaster rebuild cycles. |

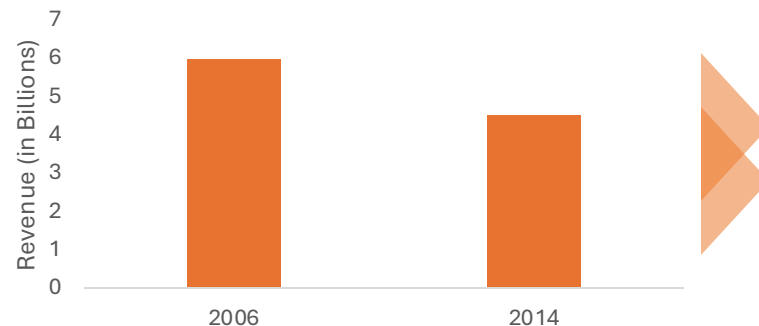
Case Study: Builders First Source's Acquisition



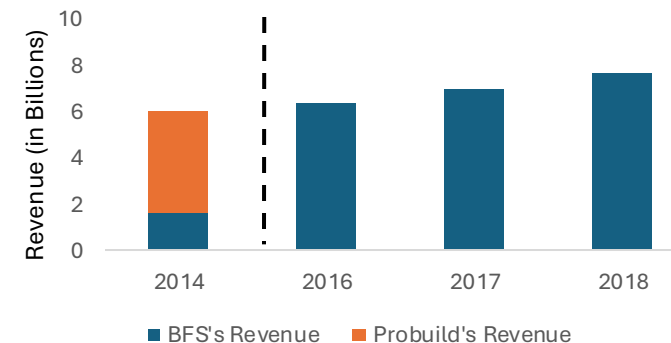
Probuild's Struggles

After its formation in 2006 ProBuild initially generated about \$6 billion in annual sales. However, the 2007–2009 housing market crash nearly halved ProBuild’s revenue within three years. Despite regaining some ground, ProBuild’s revenues in 2014 were still well below its pre-crisis peak, reflecting the lasting impact of the downturn.

Pro Build's Revenue



BFS's Revenue

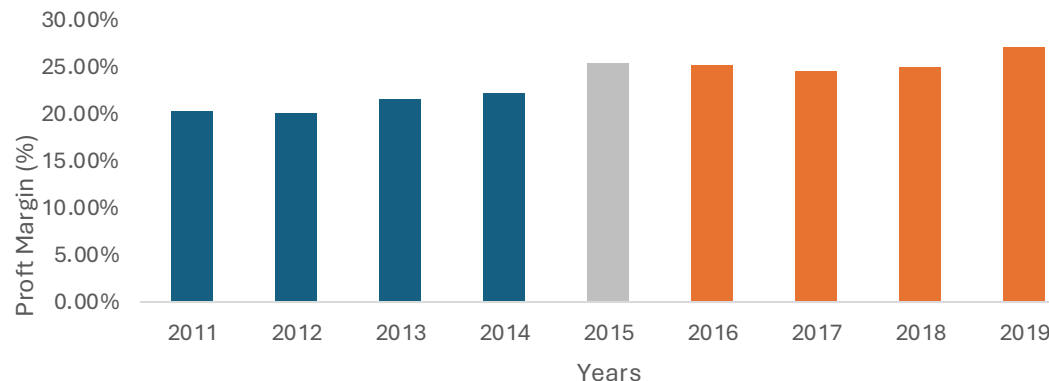


Expanding Margins

94.3% of the Gross Profit Increase was acquisition driven

Gross margin percentage increased on a year over year basis largely due to improved customer pricing, commodity price deflation, and a higher mix of value-added sales"

BFS's Profit Margin



Quantifying Incremental Revenue and Cost Savings

UWIG



| Revenue Driver (Billions) | 2025 | 2026 | 2027 | Total Incremental Revenue |
|--|---------|---------|---------|---------------------------|
| Cross-Selling at Home Depot Pro Desks | \$0.755 | \$1.133 | \$1.246 | \$2.001 |
| Fleet Consolidation (Integrating SRS's 4,000-truck fleet) | \$0.529 | \$0.906 | \$0.997 | \$1.526 |
| Trade Credit Expansion | \$0.604 | \$0.982 | \$1.080 | \$1.684 |
| Pro Xtra & Customer Experience Managers | \$0.378 | \$0.604 | \$0.665 | \$1.042 |
| Total Estimated Revenue Growth | \$2.266 | \$3.625 | \$3.987 | \$6.253 |
| Cost-Saving Area (Billions) | 2025 | 2026 | 2027 | Total Cost Savings |
| Procurement Efficiencies (Bulk purchasing power & vendor consolidation) | \$0.150 | \$0.300 | \$0.500 | \$0.950 |
| Fleet Consolidation (Integrating SRS's 4,000-truck fleet) | \$0.075 | \$0.150 | \$0.250 | \$0.475 |
| SG&A Reductions (Admin, IT, HR, and back-office synergies) | \$0.120 | \$0.240 | \$0.400 | \$0.760 |
| Total Yearly Cost Savings | \$0.345 | \$0.690 | \$1.190 | \$2.250 |

Sources:
[Builders First Source's Q1 2016 Report Industrial Distribution](#)

[Builders' First Source Reports Cost Savings with Acquiring BMC](#)

[SGFER Review of Aquisition](#)

[CFI's Synergy Timeline for M/A](#)

[Mckinsey Report on Cross Selling Synergies](#)

[MorningStar Equity Report](#)

[MRO Acceleration with HD Supply](#)

[Eficcio- Estimating Procurement Savings](#)

Home Depot's Pro Segment



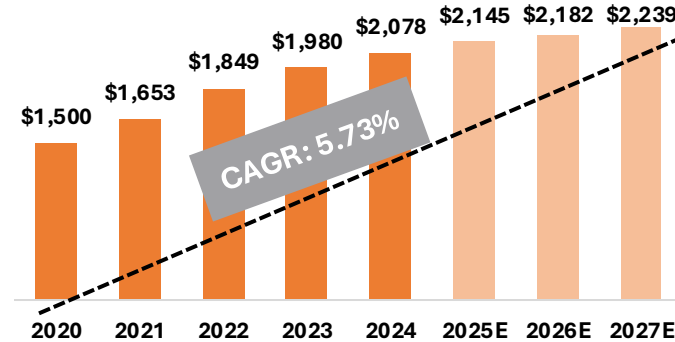
What are Pro's?

Professional contractors are skilled tradespeople who specialize in construction, renovation, and maintenance projects for residential, commercial, and industrial clients.

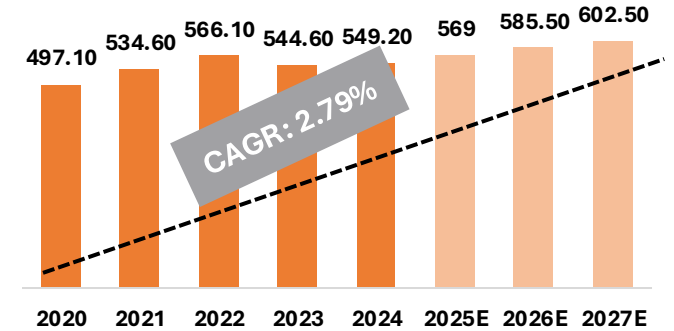
Why are Pro's important?

- **High-Value Clients:** Despite comprising only 5% of Home Depot's customer base, pro contractors significantly contribute to 50% of Home Depot's Sales
- **Large & Frequent Purchases:** Pros buy in bulk and rely on efficient supply chains to meet tight project deadlines.
- **Loyalty & Retention:** Their reliance on **consistent service and product availability** makes them more likely to establish long-term relationships with suppliers like Home Depot.

Construction Spending in the U.S. (in \$B)



Home Improvement Spending in the U.S. (in \$B)



Home Improvement Retailer Revenue from Pros



Case Study: Builders First Source's Acquisition



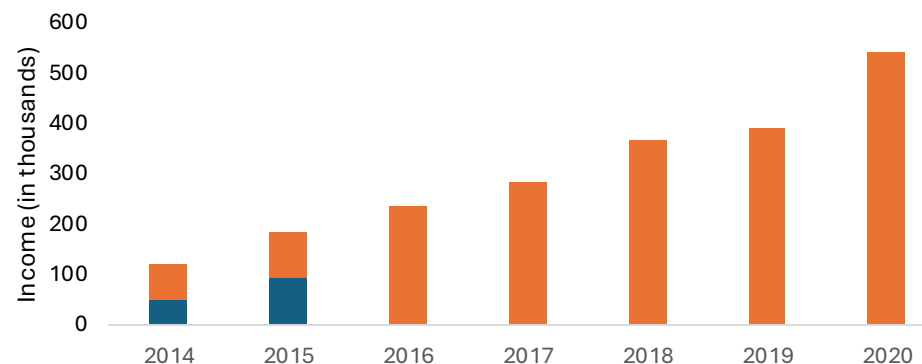
Cost Saving Synergies

In 10 months of the Acquisition BFS experienced **\$65-70 million** in run rate savings and built a roadmap in roadmap to achieve \$100-120 million.

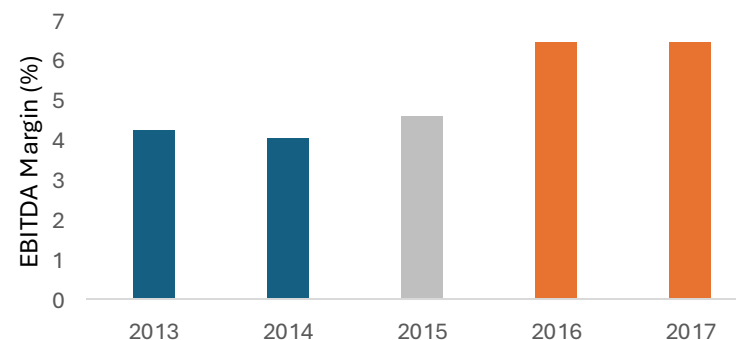
- **\$12-14 million** in projected procurement initiatives
- **\$7-8 million** in projected network consolidation savings
- **\$46-48 million** in projected overhead and SG&A savings

Approximately 50 million of the expected \$90-100 million of one-time costs to achieve the projected synergy targets

Operating Profit



BFS's EBITDA Margin



Distribution: Incremental Revenue and Cost Savings

UWIG



| Revenue Driver (in billions) | 2025 | 2026 | 2027 | Total Incremental Revenue |
|---------------------------------------|----------------|----------------|----------------|---------------------------|
| Uber/DoorDash Partnerships | \$0.635 | \$0.723 | \$0.759 | \$2.117 |
| Improved Turnover/Pro Sales Growth | \$0.412 | \$0.652 | \$0.918 | \$1.982 |
| Total Estimated Revenue Growth | \$1.047 | \$1.375 | \$1.677 | \$4.099 |
| Cost-Saving Area (in billions) | 2025 | 2026 | 2027 | Total Cost Savings |
| Flatbed Delivery Expansion | \$0.353 | \$0.556 | \$0.779 | \$1.688 |
| Retail Distribution Expansion | \$0.241 | \$0.314 | \$0.386 | \$0.941 |
| Total Estimated Cost Savings | \$0.594 | \$0.870 | \$1.165 | \$2.809 |
| Expenses (in billions) | 2025 | 2026 | 2027 | Total Expenses |
| Uber/DoorDash Commissions | \$0.159 | \$0.181 | \$0.190 | \$0.530 |

Sources:

[Alphastreet](#)

[HBS Dealer](#)

[Uber Eats](#)

[Doordash](#)

[Owner](#)

[McKinsey](#)

[Market Watch](#)

Overview

Investment Thesis

Valuation

Risks

Catalysts

Recommendation

Competitor Overview



- Over 1,700 stores; Home Depot has over 2,200.
- Holds 28% market share; Home Depot has 47%.
- Focuses on online and in-store experiences.

- Large store network with significant online presence.
- Lawn and Garden sections enhance store offerings.
- Offers competitive products like patio sets and grills.

- Competitively priced home improvement products.
- Efficient delivery network challenges traditional retailers.
- Significant e-commerce

Risks and Mitigations - Expanding



1. Product Sourcing

Home Depot sources over 50% of its goods from North America, with 61.43% of its wood from the U.S. and 17.13% from Canada. Mexico and Canada face a 25% tariff on certain goods, potentially increasing costs but is mitigated by a majority in the US and this will also hurt competitors. Lowes sources more from Canada at 25.2%.

2. Name Brand vs. Private-Label Products

Home Depot's mix is about 60-70% national brands and 30-40% private-label, with private-label growing 25% in recent periods with the industry average only being around 5%.

3. Contractor Partnerships

Pros make up 10% of customers but generate 50% of sales. Home Depot retains them through the Pro Xtra program, offering volume pricing, exclusive deals, and special discounts.

Mitigations

A

Tariffs

Buy all materials from US suppliers

B

Inflation

Promote Home Depot name-brand products

C

Housing Market

Maintain strong relationships with contractors

Valuation Appendix



DCF Sources



Tax Rate

25%

Corporate Tax Rate

% Debt

13%

Balance Sheet

Rf + ERP

9.95%

10 year treasury + NYU

Cost of Debt

3.77%

(Rf + HD Credit Spread) * (1 - corporate tax rate)

Beta

25%

Bloomberg

% Equity

87%

Balance Sheet

PPG

2.5%

US GDP Growth Rate

Cost of Equity

10.44%

(ERP * Beta) + Rf



Overview



Investment Thesis



Valuation



Risks



Catalysts



Recommendation



Complete Comps Table

| Company | Ticker | Financial Data | | | | | | Valuation | | | | | Dividend Yield |
|---|--------|---------------------|-------------|---------------|---------------|-----------------|-------------------------|-----------|----------|------------------|----------------|------------------------|----------------|
| | | Market Cap (\$M) | EV (\$M) | Forward | | EBITDA (\$M) | Forward EBITDA (\$M) | EPS x | P/E x | Forward P/E x | EV/EBITDA x | Forward EV/EBITDA x | |
| | | | | EBIT (\$M) | EBIT (\$M) | | | | | | | | |
| THE HOME DEPOT, INC. (XNYS:HD) | HD | 365,731 | 432,790 | 18,525 | 21,954 | 25,280 | 25,428 | 14.72x | 25.11x | 24.73x | 17.12x | 17.02x | 2.40% |
| LOWE'S COMPANIES, INC. (XNYS:LOW) | LOW | 130,295 | 171,500 | 10,466 | 10,425 | 12,060 | 12,120 | 12.03x | 20.25x | 19.49x | 14.22x | 14.15x | 1.88% |
| TILE SHOP HOLDINGS, INC. (XNAS:TTSH) | TTSH | 297 | 418 | 4 | | 60 | 60 | 0.05x | 98.04x | | 6.98x | 6.98x | |
| FLOOR & DECOR HOLDINGS, INC. (XNYS:FND) | FND | 9,648 | 11,620 | 249 | 276 | 711 | 553 | 1.90x | 49.95x | 47.27x | 16.34x | 21.02x | |
| TRACTOR SUPPLY COMPANY (XNAS:TSCO) | TSCO | 28,661 | 35,580 | 1,468 | 1,553 | 2,358 | 2,048 | 2.17x | 29.37x | 24.73x | 15.09x | 17.37x | 1.56% |
| WILLIAMS-SONOMA, INC. (XNYS:WSM) | WSM | 298 | 23,290 | 1,257 | 1,392 | 1,638 | 1,742 | 8.44x | 21.79x | 21.93x | 14.22x | 13.37x | 1.23% |
| RH (XNYS:RH) | RH | 4,279 | 8,000 | 363 | 371 | 579 | 539 | 5.78x | 61.22x | 40.27 | 13.81 | 14.85x | |
| ETHAN ALLEN INTERIORS INC. (XNYS:ETD) | ETD | 701 | 692 | 76.75 | 72.15 | 119 | 84 | 2.36x | 11.92x | 11.75 | 5.83 | 8.28x | |
| Average | | | | | | | | 7.18x | 39.71x | 30.50x | 12.95x | 14.13x | |
| Median | | | | | | | | 6.97x | 27.24x | 24.73x | 14.22x | 14.50x | |