COVERAGE INITIATION · HOME IMPROVEMENT RETAIL

The Home Depot, Inc. (HD)

At $348.69, Home Depot shares price in about $24 billion a year of free cash flow after stock compensation from fiscal 2032, twice fiscal 2025's $12.1 billion, which needs a housing recovery the data do not yet show; we rate the shares Neutral.

INTRINSIC VALUE	FAIR VALUE RANGE	1–3 MONTH DIRECTION	RATING
Fair	$270–410	Sideways to lower	Neutral
Price in the upper half of the range	Weighted $322 vs price $348.69	Moderate volatility	Overweight below $229

INVESTMENT VIEW

01 **At $348.69 the shares need about $24 billion a year of free cash flow after stock compensation from fiscal 2032.** That is $196B of revenue at a 12% cash margin, above any year since fiscal 2021 (best 11.5%). Our base case reaches $20.9B in fiscal 2031 and is worth $327; the weighted value is $322.

02 **Consensus fiscal 2027 EPS of $15.90 implies 5.9% growth while Home Depot guides its fiscal 2026 margin lower.** Second-quarter operating income fell 6.1% without the $685M tariff refund. We expect a fiscal 2027 EPS guide midpoint below $15.90 in February 2027.

03 **The shares rose 24% from their October low on housing hopes that the latest data do not yet support.** Builder sentiment fell to 29 in October, the lowest since 2012, with mortgage rates above 7%. Most of the rise came after the 3 November midterms, on legislation not yet proposed.

04 **Home Depot's returns and dividend support the low end of our range, and the main risk is an early recovery.** Return on capital is about 23% and the 2.7% dividend is covered. Comparable sales above 3% would move value toward our $404 bull case.

WHAT WOULD CHANGE OUR VIEW

UPSIDE
A fiscal 2027 EPS guide midpoint of $15.90 or more, or comparable sales above 3% in Q4 FY2026.

DOWNSIDE
Comparable sales below 1% or a cut to fiscal 2026 guidance on 17 November; a change of CEO.

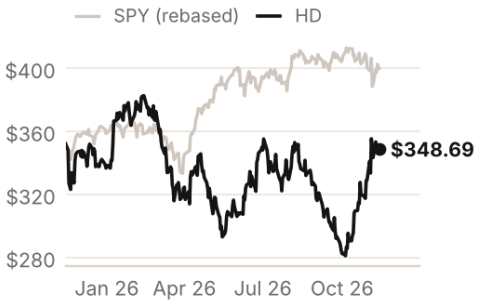
NEXT TEST
Q3 FY2026 results, 17 November 2026, before the open.

KEY DATA

Price (13 Nov 2026 close)	$348.69
Since 5 Oct / vs S&P 500	+24.0% / +26.6 pts
52-week range (intraday)	$277.15–397.63
Diluted shares (Q2 FY2026)	0.996B
Market value	$347B
P/E on FY2027 consensus ($15.90)	21.9x
Net debt (2 Aug 2026)	$50.8B
Street average target	$378 (32 analysts)
Earnings credibility	B
Next catalyst	Q3 FY2026, 17 Nov 2026

Yahoo Finance (13–15 Nov 2026); Home Depot 10-Q and Q2 FY2026 release via SEC; ABiS estimates. Fiscal year ends in late January or early February. Net debt includes finance leases and commercial paper.

HD vs S&P 500, one year



Yahoo Finance adjusted closes, to 13 November 2026

1. Executive Summary

KEY TAKEAWAYS

At $348.69, Home Depot's shares price in about $24 billion a year of free cash flow after stock compensation from fiscal 2032, about twice the $12.1 billion the company generated in fiscal 2025 and above the 11.5% cash margin it reached at its best year since fiscal 2021. Our base case reaches $20.9 billion by fiscal 2031 and is worth $327 a share; our probability-weighted value is $322 and our fair value range $270–410, so we label the shares Fair and rate them Neutral. In our view the price already assumes a recovery in housing turnover that the latest data, with builder sentiment at a 14-year low and mortgage rates above 7%, do not yet show.

This is our first equity report on Home Depot, and it builds on our event study of 15 November 2026, which covers the third-quarter fiscal 2026 report due before the open on 17 November. The shares have risen 24.0% since their 5 October low against a 2.6% decline in the S&P 500, mostly on housing-policy hopes after the 3 November midterm elections, and they trade at 21.9 times consensus fiscal 2027 EPS of $15.90 (Yahoo Finance). Street targets average $378 across 32 analysts (Yahoo Finance), 8% above the price. Our expected return to the weighted value is −8%, and our bull case ($404) is 16% above the price while our bear case ($257) is 26% below it.

Our view: consensus fiscal 2027 adjusted EPS of $15.90 implies 5.9% growth over the fiscal 2026 consensus of $15.01, while Home Depot guides fiscal 2026 to comparable sales of flat to +2% and a lower operating margin, and second-quarter operating income fell 6.1% from a year earlier once the $685 million tariff refund is removed (our calculation from the 10-Q). We expect the fiscal 2027 guide in February 2027 to have an EPS midpoint below $15.90. We would be wrong if the guide midpoint is $15.90 or more, or if comparable sales exceed 3% in the fourth quarter, which would show housing demand recovering ahead of the data.

EXHIBIT 1 Expectations gap (reverse DCF at an 8.0% WACC against consensus and our base case)

Driver	Price implies	Consensus or guide	ABiS base case	Test
Free cash flow after stock compensation	About $24B a year from fiscal 2032	Not published	$20.9B in fiscal 2031	Fiscal 2026 cash flow, Mar 2027
Revenue at a 12% cash margin	$196B (3% a year)	2.5–4.5% sales growth, FY2026	$209B at a 10% margin	Fiscal 2027 sales guide
Adjusted EPS, fiscal 2027	n/a	$15.90 (+5.9%)	About $15.5 (+3%)	Feb 2027 guide
Comparable sales	n/a	Flat to +2%, FY2026 guide	+1–2% in FY2027	Q3 and Q4 FY2026
Net gap			**Price 8% above weighted value**	

Source: ABiS reverse DCF and base case; Home Depot Q4 FY2025 and Q2 FY2026 earnings releases (SEC); Yahoo Finance (consensus, 15 November 2026); SEC XBRL data.

Over the next one to three months, we think the market will trade first the 17 November print and then the fiscal 2027 outlook in February, with housing data and mortgage rates in between. Our event study found that the shares beat the S&P 500 over two sessions after five of the last eight reports (median excess return +1.5%, the stock's move minus the S&P 500's) but lagged it over 21 sessions after five (median −1.0%), and that the shares enter this report after a 15.0% two-month rise against the index, larger than before any of the 16 reports studied. We therefore set the 1–3 month direction at Sideways to lower, with moderate volatility.

EXHIBIT 2 Bull and bear points

Bull points	Bear points
Comparable sales rose 1.7% in Q2 FY2026, the best since 2022	NAHB builder sentiment fell to 29 in October, the lowest since June 2012
SRS and GMS add about $12.7B of professional distribution sales	Operating margin guided to 12.4–12.6% for FY2026, from 13.1%
Return on capital of about 23% (NOPAT over debt plus equity)	Q2 operating income fell 6.1% excluding the tariff refund
A Democratic Congress could pass housing-affordability measures	CEO Ted Decker has been on medical leave since 12 August 2026

Source: Home Depot releases and 10-Q filings (SEC); NAHB; Yahoo Finance via AOL; ABiS calculations.

2. Business Overview

Home Depot is a US home-improvement retailer, and since 2024 it has added a professional distribution business through the purchases of SRS Distribution and GMS. Net sales were $164.7 billion in fiscal 2025 (the 52 weeks to 1 February 2026), up 3.2%, and operating income was $20.9 billion, a 12.7% margin (fiscal year). In the first half of fiscal 2026 sales rose 5.3% to $89.6 billion and operating income rose 1.1% to $11.8 billion, including $685 million of tariff refunds recorded as a reduction of cost of sales in the second quarter (Home Depot 10-Q, Q2 FY2026; Q2 release).

The retail stores still produce more than nine tenths of sales, and the distribution businesses supply most of the growth.

EXHIBIT 3 Net sales by reporting line, fiscal 2025 ($B)

Line	Net sales	Share	What it includes
Primary (retail)	152.0	92.3%	Home Depot stores, online, HD Supply
Other (SRS and GMS)	12.7	7.7%	Roofing, landscape, pool and specialty building products
Total	**164.7**	**100%**	

Source: Home Depot 10-K for fiscal 2025, segment note (via edgar.tools); total from SEC XBRL. The Other line is total less Primary, our calculation; roofing was about 53% of Other sales in fiscal 2025.

Home Depot bought SRS in 2024 for about $18.3 billion, and SRS completed the $5.5 billion purchase of GMS, a drywall and ceilings distributor, on 4 September 2025 (Home Depot; AJC; Distribution Strategy). At the end of the second quarter of fiscal 2025 the company ran more than 2,353 stores and SRS more than 800 branches (Retail Insight Network); we did not obtain a current count. Management expects mid-single-digit organic growth from SRS and GMS in fiscal 2026 (Home Depot 10-K via edgar.tools).

3. Business and Competitive Analysis

3.1 Comparable sales and the housing cycle

Home Depot's growth depends on housing turnover and large projects, and both have been weak for three years. Comparable sales fell through most of fiscal 2023 and fiscal 2024, turned positive in the fourth quarter of fiscal 2024 (+0.8%), stayed between +0.2% and +1.0% in the fiscal 2025 quarters we checked, and rose 0.6% and 1.7% in the first two quarters of fiscal 2026, with average ticket up 2.8% and transactions down 1.0% in the second quarter (Home Depot releases). The finance chief said in August that turnover "has never been lower as a percentage of the housing stock" (24/7 Wall St.), and the NAHB builder sentiment index fell to 29 in October, its lowest since June 2012, with mortgage rates above 7% and 43% of builders cutting prices (NAHB; RISMedia).

Our view: the second quarter's comparable sales came from price and ticket rather than traffic, and the margin did not follow. Operating income rose 4.3% to $6.84 billion in Q2 FY2026, but without the $685 million refund it would have been about $6.15 billion, 6.1% below the $6.56 billion of Q2 FY2025 (our calculation from the 10-Q). Gross margin was 33.7% in the quarter against 33.4% a year earlier (quarterly), so the refund explains more than the whole gain.

The operating data below show modest top-line growth with weaker underlying profit.

EXHIBIT 4 Operating KPIs, Q2 FY2026

KPI	Q2 FY2026	Reference point
Net sales	$47.9B (+5.7%)	Consensus $47.5B
Same-store sales (comparable), total / US	+1.7% / +1.3%	Best since 2022
Volume and price/mix (transactions / ticket)	−1.0% / +2.8%	Growth from ticket, with fewer transactions
Adjusted diluted EPS	$4.92 (+5.1%)	Consensus $4.71
Operating income, reported / ex refund	$6.84B / about $6.15B	$6.56B in Q2 FY2025
Gross margin (quarterly)	33.7%	33.4% in Q2 FY2025

Source: Home Depot Q2 FY2026 release and 10-Q (SEC); ii; ABiS calculations.

3.2 Competition and moat

We rate Home Depot's moat wide, because in our view its scale, store density and supplier terms give it a cost and availability position that only Lowe's approaches in US home improvement. Its return on capital of about 23% (fiscal 2025 operating profit after tax over debt plus equity, our calculation) shows the advantage, though it is flattered by an equity base reduced by $96 billion of past buybacks (10-Q, treasury stock).

EXHIBIT 5 Moat scorecard

Source	Evidence	Strength
Scale purchasing and cost	$164.7B sales; 33.3% gross margin in fiscal 2025	Strong
Store network and supply chain	More than 2,350 stores; distribution centers serving professionals	Strong
Professional customer reach	SRS and GMS add roofing, pool and drywall channels	Medium-strong
Pricing power	Ticket up 2.8% while transactions fell 1.0%	Medium
Demand control	Sales follow housing turnover and rates	Weak

Source: Home Depot 10-K and Q2 FY2026 release and 10-Q; Retail Insight Network; ABiS assessment.

4. Management, Governance, and Capital Allocation

Leadership is the main governance risk this year. On 12 August 2026 Home Depot announced that chair, president and chief executive Ted Decker would take a temporary medical leave; senior executive vice president Ann-Marie Campbell oversees day-to-day operations, chief financial officer Richard McPhail oversees finance and the professional subsidiaries and acts as principal executive officer, and lead director Greg Brenneman chairs the board (Home Depot 8-K, 12 August 2026). The company expected Mr. Decker to return within months (UPI; Bloomberg), and we found no report of his return by 15 November. The shares fell 3.1% on the day, 3.4 points behind the S&P 500 (our calculation). On 20 August the board widened three executives' responsibilities and granted each $500,000 of restricted stock vesting over two years (Home Depot 8-K, 21 August 2026). We found no investigation, short report or contested board matter in our six-month sweep.

Capital allocation has moved from buybacks to acquisitions and debt reduction since the SRS purchase.

EXHIBIT 6 Capital allocation scorecard ($B, fiscal years)

Use of cash	FY2022	FY2023	FY2024	FY2025	H1 FY2026
Capital expenditures	3.1	3.2	3.5	3.7	1.7
Acquisitions	0.0	1.5	17.6	5.4	1.3
Share repurchases	6.7	8.0	0.6	0.0	0.0
Dividends	7.8	8.4	8.9	9.2	4.6
Stock compensation (expense)	0.4	0.4	0.4	0.5	0.3

Source: Home Depot 10-K and 10-Q filings via SEC XBRL. Fiscal 2024 had 53 weeks.

Our view: the dividend ($9.32 a year, about 2.7% of the price) is well covered by free cash flow, but buybacks have stopped for two years while net debt of $50.8 billion (2.1 times fiscal 2025 operating profit before depreciation, our calculation) is reduced, so per-share growth now depends on operating profit alone. We did not obtain the targets of the $1.3 billion of acquisitions in the first half of fiscal 2026.

5. Financial Analysis and Earnings Quality

5.1 Financial trends

Home Depot's profit has declined for three years while sales grew, because acquisitions added lower-margin revenue and store comparable sales were weak. Operating income fell from $24.0 billion in fiscal 2022 to $20.9 billion in fiscal 2025, and free cash flow after stock compensation fell from a peak of $17.6 billion in fiscal 2023 to $12.1 billion.

EXHIBIT 7 Financial trend, fiscal 2021–2025 ($B)

Fiscal year	Net sales	Operating income	Net income	Operating cash flow	Free cash flow after stock compensation
FY2021	151.2	23.0	16.4	16.6	13.6
FY2022	157.4	24.0	17.1	14.6	11.1
FY2023	152.7	21.7	15.1	21.2	17.6
FY2024	159.5	21.5	14.8	19.8	15.9
FY2025	164.7	20.9	14.2	16.3	12.1

Source: Home Depot 10-K filings via SEC XBRL (fiscal years end in late January or early February; fiscal 2024 had 53 weeks). Free cash flow after stock compensation is operating cash flow less capital expenditures and stock compensation expense, our calculation.

The first half of fiscal 2026 was stronger, with free cash flow after stock compensation of $9.4 billion against $7.0 billion a year earlier, helped by working capital and the refund. We estimate $14.7 billion for the full year (8.6% of sales), with the second half close to last year's $5.2 billion.

5.2 Earnings quality

We grade Home Depot's earnings credibility B. Cash backs reported profit (operating cash flow was 1.15 times net income in fiscal 2025) and the only adjustment to EPS is the amortization of acquired intangibles, but second-quarter results included a $685 million tariff refund that adjusted EPS did not remove, and receivables days have risen with the distribution businesses.

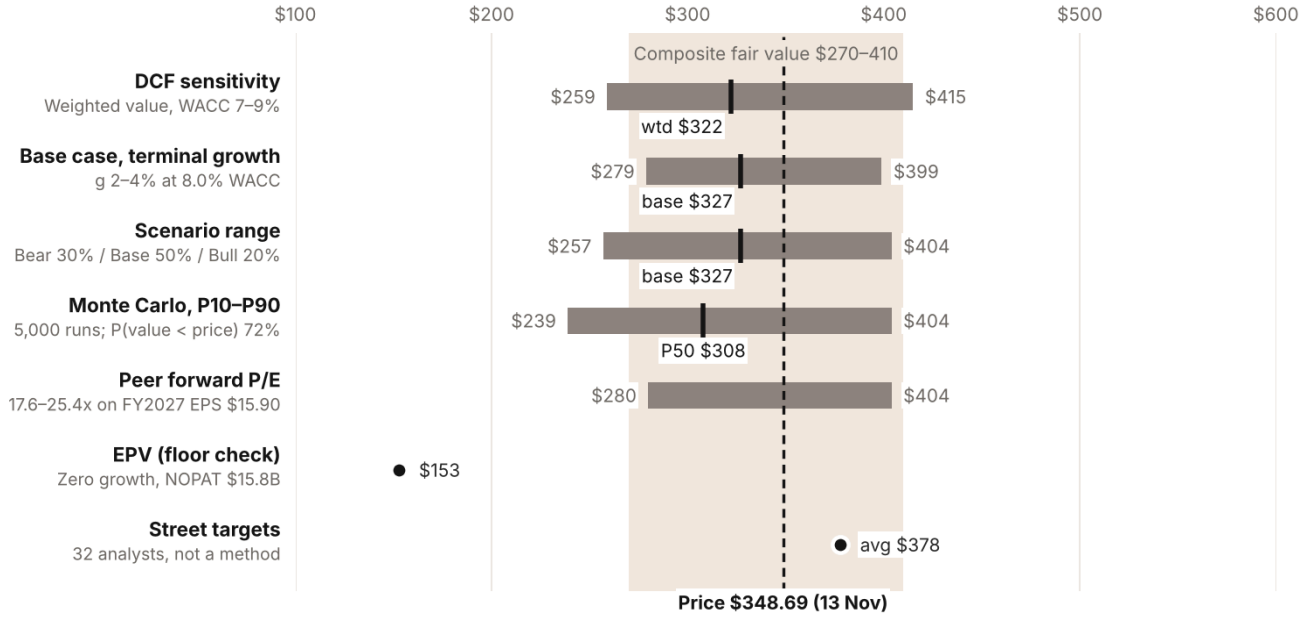
EXHIBIT 8 Earnings-quality checks

Check	Result	Reading
Operating cash flow / net income, FY2025	1.15x	Good cash backing
Days sales outstanding (receivables), Q2 FY2026	13.2 days	Up from 8.7 in Q4 FY2023 with SRS and GMS
One-off gains in adjusted EPS	$685M tariff refund in Q2 FY2026 cost of sales	Flag
Items excluded from adjusted EPS	Acquired intangible amortization	Routine
Stock compensation trend	$0.37B (FY2022) to $0.52B (FY2025)	Low, about 0.3% of sales
Beneish M-Score	Not computed	Gap

Source: Home Depot 10-K and 10-Q via SEC XBRL; Home Depot Q2 FY2026 release; ABiS calculations.

6. Valuation

EXHIBIT 9 Valuation football field ($ per share)



Source: ABiS calculations; Yahoo Finance (price, peer multiples and Street targets, 13–15 November 2026).

KEY TAKEAWAYS

Our composite fair value range is $270–410 with a probability-weighted value of $322, against a price of $348.69, so we label the shares Fair. The price sits between our base case ($327) and our bull case ($404), and about 48% of it pays for growth not yet earned. Every valuation method except earnings power reaches the price within its range, which is why we do not rate the shares Underweight.

6.1 What the price implies

At an 8.0% WACC (weighted average cost of capital, our discount rate) and 3% terminal growth, the price requires about $24 billion a year of free cash flow after stock compensation from fiscal 2032, after our base case for fiscal 2027–2031. That would need revenue of about $196 billion at a 12% cash margin, 3% a year from fiscal 2026, or $235 billion at 10%, 7% a year (see appendix). Home Depot's best cash margin after stock compensation in the last five fiscal years was 11.5% in fiscal 2023, and it was 7.4% in fiscal 2025. PVGO, the share of the price that pays for growth not yet earned, is 48%: consensus fiscal 2027 EPS of $15.90, less $0.46 of after-tax stock compensation, capitalized at our 8.53% cost of equity with no growth, is worth $181 a share.

6.2 Scenario DCF

Our three scenarios differ mainly in how fast housing turnover recovers and how much of the lost margin returns. We weight them 30% bear, 50% base and 20% bull because we grade the evidence for the bear case Medium (builder sentiment at a 14-year low, mortgage rates above 7%, a lower margin guide and falling underlying second-quarter profit) and for the bull case Weak–medium (the best comparable sales since 2022 and post-midterm policy hopes without proposed legislation), one step apart.

EXHIBIT 10 Scenario assumptions and values (fiscal 2027–2031)

Scenario	Weight	Revenue growth	Free cash flow margin after stock compensation	Value per share
Bear	30%	2.0–3.0% a year	8.0% rising to 8.8%	$257
Base	50%	4.0–4.5% a year	8.8% rising to 10.0%	$327
Bull	20%	5.0–7.0% a year	9.3% rising to 11.0%	$404
Weighted				**$322**

Source: ABiS calculations; fiscal 2026 revenue of $170.4B from the midpoint of Home Depot's 2.5–4.5% sales growth guide applied to fiscal 2025 net sales.

At the neighbouring weights the weighted value moves little: $318 at 35/45/20 and $329 at 25/50/25. Our bull case already returns the cash margin to 11.0%, close to the fiscal 2023 peak, so we think a higher bull case would need evidence of a housing recovery that we do not yet have.

6.3 Cross-checks and composite range

The house composite range ($270–410) averages the low and high ends of two grids: the weighted value at a WACC of 7–9% ($259–415) and the base case at terminal growth of 2–4% ($279–399). A Monte Carlo of 5,000 runs gives a P10–P90 range of $239–404 and a 72% probability that value is below the price. Peer forward P/E multiples on consensus fiscal 2027 EPS give $280 at Lowe's 17.6 times and $404 at Floor & Decor's 25.4 times, with Tractor Supply at 17.7 times ($281). Earnings power value (EPV, fiscal 2025 after-tax operating profit of $15.8 billion capitalized with no growth) gives $153 a share as a floor. Residual income gives $70, because it fades Home Depot's 23% return on capital toward the cost of capital over ten years; we treat it as a lower bound for a business whose return on capital is far above its cost of capital. Our view: the price assumes that the premium Home Depot carries over Lowe's (21.9 times against 17.6 times forward earnings) persists through a weak housing market, which the composite supports at the upper half of its range.

7. Analyst View Summary

The Street is positive, with an average target of $378 and a median of $385 across 32 analysts (Yahoo Finance), 8–10% above the price, and a consensus recommendation of Buy. Recent target changes were mixed: JPMorgan raised its target to $400 from $396, while Piper Sandler cut to $371 from $378 and Bank of America to $397 from $407 (market coverage, November 2026). Wolfe Research downgraded the shares to Peer Perform in June, citing the lock-in effect on housing turnover and questions about the large-professional strategy, and said housing legislation was unlikely before mid-2027 (Insider Monkey). Consensus for fiscal 2026 EPS is $15.01 and for fiscal 2027 $15.90 (Yahoo Finance), and short interest is 1.3% of the float (Yahoo Finance).

8. Recent News and Catalysts

The catalyst that matters most is the fiscal 2027 outlook in February 2027, because it will show whether management expects the margin decline of fiscal 2026 to reverse. The 17 November report will give the first read and is the first since Mr. Decker's leave began. A dated table of the last year's news and price reactions is in the appendix.

EXHIBIT 11 Catalyst calendar

Date	Event	What we watch
2026-11-17	Q3 FY2026 results, before the open	Comps; margin ex refunds; FY2026 guide
2026-11-18	Lowe's Q3 results, before the open	Read-across on project demand
Dec 2026	NAHB index for December	Builder sentiment vs 29 in October
Not announced	Mr. Decker's return or a CEO change	Leadership continuity
Feb 2027	Q4 FY2026 results and FY2027 outlook	EPS guide vs $15.90; operating margin

Source: Home Depot call notice (17 November 2026, via earnings calendars); Lowe's call notice (Finviz); Home Depot 8-K of 12 August 2026; NAHB.

8.1 Earnings reaction history

Our event study of 15 November 2026 measured the share price around the last eight reports and eight reports from the 2022–2024 housing slowdown. Over the last eight reports the median excess return against the S&P 500 was +1.5% over two sessions, +1.0% over five and −1.0% over 21, with five gains over two sessions; the one large decline (−6.1%) followed November 2025, when comparable sales missed and the earnings outlook was cut. The slowdown group beat the index over two sessions in seven of eight cases, even when the sales outlook was cut. The study notes that the shares enter this report after a larger rise against the S&P 500 than before any of the 16 reports.

8.2 Forecast register

Each forecast below has a range and a validation date so that it can be scored. The first three test the near-term print; the fiscal 2027 items test our main disagreement.

EXHIBIT 12 Forecast register

Forecast	Range	Validate	Leading indicator
Q3 FY2026 adjusted EPS	$3.75–3.95	2026-11-17	Consensus $3.84–3.87
Q3 FY2026 comparable sales	+0.5% to +2.5%	2026-11-17	Q2 +1.7%; Q3 FY2025 +0.2%
FY2026 comparable sales guide after Q3	Within flat to +2%	2026-11-17	Current guide
FY2026 free cash flow after stock compensation	$13.5–15.5B	2027-03-31	H1 $9.4B
FY2027 adjusted EPS guide, midpoint	Below $15.90	2027-02-28	Consensus $15.90
FY2027 adjusted EPS	$15.0–16.0	2028-02-29	Our estimate about $15.5
HD vs S&P 500, 63 trading days	Sideways to lower (at most +5%)	2027-02-17	Event-study medians

Source: ABiS forecasts; Home Depot guidance (18 August 2026); Yahoo Finance and Zacks (consensus).

9. Investment Conclusion, Counter-Case, and Position Sizing

9.1 Conclusion

KEY TAKEAWAYS

We label Home Depot's shares Fair and rate them Neutral, because the price of $348.69 sits within our $270–410 fair value range, 8% above our weighted value of $322. The rating would move to Overweight below $229, where the price would fall below our tolerance of the range, and to Underweight above $472. We would not add to the shares with new money today, because the recent rise already prices a housing recovery the data do not show.

We expect the shares to do roughly in line with the S&P 500 over the next year, with a lean to the downside around the third-quarter print and the February outlook. Home Depot's franchise, returns and dividend are strong, and nothing in our work suggests a decline in its market position; the question is the price of a cyclical recovery. The 1–3 month direction is Sideways to lower, with moderate volatility, which follows the event-study evidence and the size of the October and November rise.

9.2 Counter-case and pre-mortem

The strongest case against our view is that housing turnover recovers sooner than the data suggest, because mortgage rates fall or Congress passes affordability measures, and that the deferred projects management has described return quickly. In that case the operating margin could rebuild toward 14% and comparable sales could reach 3–5%, which our bull case ($404) only partly captures. The evidence for this case is weak to medium today, but the shares rose 6.5% in one session on the midterm results, so the market will price it early.

EXHIBIT 13 Pre-mortem, three ways this call could fail within a year

Failure path	Mechanism	Evidence strength	What we would see first
Housing recovery arrives early	Lower mortgage rates lift turnover and big projects	Weak–medium	NAHB index above 40; comps above 3%
Policy rally extends	Affordability bill or tariff relief passes in 2027	Weak	A bill in committee by spring 2027
Leadership problem deepens	CEO does not return; succession unclear	Medium	An 8-K on leadership; guide delays

Source: ABiS assessment; NAHB; Home Depot 8-K filings; Insider Monkey (Wolfe Research).

9.3 Position thinking

Our scenario values give an expected return of −8% to the weighted value, with 16% upside to the bull case and 26% downside to the bear case, an asymmetry of 0.6. That does not support adding to a position, and the 2.7% dividend yield does not change the balance. Neutral is a statement that we expect returns roughly in line with the S&P 500; the stock's beta of 0.75 means it should fall less than the market in a broad decline, but its recent rise ties it closely to rates and housing news.

9.4 Monitoring list

- Comparable sales: below 1% in Q3 or Q4 FY2026 supports our view; above 3% weakens it.
- Fiscal 2027 EPS guide midpoint: below $15.90 supports our view; $15.90 or above would prove us wrong.
- Operating margin excluding tariff refunds: a second year of decline supports our view.
- NAHB index and 30-year mortgage rate: an index above 40 or rates below 6% would weaken our view.
- CEO status: a return by February keeps leadership risk low; a change would raise the bear weight.

9.5 Confidence

Our confidence in the valuation is Medium and in the 1–3 month direction Medium, because both depend on interest rates and housing policy that can move faster than company results.

EXHIBIT 14 Confidence self-assessment

Element	Confidence	Main uncertainty
Fair value range	Medium	Timing of the housing recovery
Expectations gap (FY2027 EPS)	Medium	Margin path after tariff refunds
1–3 month direction	Medium	Policy news; thin base rate on pre-report rises
Earnings credibility (B)	High	Refund accounting is disclosed

Source: ABiS assessment.

Appendix: supporting exhibits

EXHIBIT 15 Recent news and market reaction (session returns)

Date	News	HD	vs SPY	vs XLY
2026-01-09	$200B mortgage-bond purchase plan announced the prior evening	+4.2%	+3.5%	+3.0%
2026-02-25	Lowe's results; no housing policy in State of the Union	−2.3%	−3.2%	−2.6%
2026-05-19	Q1 FY2026 results; EPS beat, guidance reaffirmed	+0.9%	+1.5%	+2.0%
2026-06-24	Housing stocks rise the day after Wolfe downgrade; cause not obtained	+5.7%	+5.7%	+4.5%
2026-08-12	CEO Ted Decker takes temporary medical leave	−3.1%	−3.4%	−2.0%
2026-08-18	Q2 FY2026 results; guidance reaffirmed, not raised	−0.1%	+0.6%	+0.2%
2026-10-22	Housing-related rally; company cause not obtained	+4.3%	+5.5%	+4.8%
2026-11-04	Housing stocks rally after the midterm elections	+6.5%	+4.9%	+2.3%
2026-11-05	Market-wide decline (S&P 500 −4.4%)	−1.5%	+2.9%	+2.3%
2026-11-09	Lower Treasury yields; housing sentiment	+2.9%	+0.5%	−0.0%

Source: ABiS calculations on Yahoo Finance adjusted closes; Bloomberg, Axios and Yahoo Finance (January); TechNews (February); Yahoo Finance (May); TIKR and Insider Monkey (June); Home Depot 8-K (12 August); Stocktwits and Home Depot release (August); TradingKey (October and 9 November); Yahoo Finance via AOL and seekingalpha.com (4 November).

EXHIBIT 16 Cost of capital build

Input	Value	Source
Risk-free rate	5.15%	10-year Treasury yield, 13 Nov 2026 close (Cboe index via Yahoo Finance)
House beta	0.75	Company-adaptive beta (below)
Cost of equity	8.53%	5.15% + 0.75 × 4.5%
Pre-tax cost of debt	6.50%	Risk-free + 1.35 points (issue spread of the 2056 notes)
Net debt / (net debt + market value)	12.8%	$50.8B net debt; $347.3B market value
WACC	**8.0%**	**8.10% rounded to 0.5 point**

Source: Yahoo Finance; SEC XBRL data; therighttrader.com (spread); house defaults.

EXHIBIT 17 Beta build

Business line	Revenue share	Peers (unlevered beta)	Median
Home improvement retail	92%	LOW 0.60, FND 0.88, TSCO 0.52	0.60
Building products distribution	8%	BLDR 0.61, FERG 0.86, WSO 0.81	0.81
Company regression	2 years weekly	Blume 0.76 (s.e. 0.14)	Weight 48%
Industry beta (relevered)		0.70	Weight 52%
House beta		**0.75**	**Five-year monthly cross-check 0.95**

Source: ABiS calculations on Yahoo Finance weekly and monthly closes to 13 November 2026.

EXHIBIT 18 Base case value by discount rate and terminal growth ($ per share)

WACC	g 2%	g 3%	g 4%
7.0%	346	422	548
8.0%	279	327	399
9.0%	231	264	309

Source: ABiS calculations.

EXHIBIT 19 Revenue required by the price in fiscal 2032 (reverse DCF)

Steady-state cash margin	Revenue required	Annual growth from fiscal 2026
10%	$235B	7%
12%	$196B	3%
14%	$168B	0%
16%	$147B	−3%

Source: ABiS calculations.

EXHIBIT 20 Net debt at 2 August 2026 ($B)

Item	Amount
Cash and equivalents	2.1
Long-term debt and finance leases, including current portion	48.6
Commercial paper	4.2
Net debt	50.8
Less stub free cash flow (H2 FY2026, base case)	5.3
Net debt used in the valuation	**45.5**

Source: Home Depot 10-Q (Q2 FY2026) via SEC XBRL; ABiS estimates.

Method and data notes

Price is the 13 November 2026 close of $348.69 (Yahoo Finance), the last close before work on 15 November. Shares are the 0.996 billion diluted weighted-average shares of Q2 FY2026, held flat because Home Depot has made no buybacks since fiscal 2024 and stock compensation is small. Net debt is from the 10-Q at 2 August 2026, including commercial paper and finance leases and excluding operating leases. The explicit forecast covers fiscal 2027–2031 and fades growth to 3% over five years at a constant margin. The stub from 3 August 2026 to 31 January 2027 (the second half of fiscal 2026) is valued through net debt at $5.3 billion of base-case free cash flow after stock compensation, about $5 a share, close to the $5.2 billion of the same half a year earlier; we use the base case in every scenario because the stub is too short for the scenarios to diverge much. Fiscal 2026 revenue of $170.4 billion applies the midpoint of Home Depot's 2.5–4.5% sales growth guide to fiscal 2025 net sales. The PVGO uses consensus fiscal 2027 adjusted EPS of $15.90 (Yahoo Finance) less $0.46 of after-tax stock compensation per share (about $0.6 billion at a 24.3% tax rate). House default not used: risk-free source; we used the Cboe 10-year Treasury yield index close of 5.15% via Yahoo Finance because the Treasury and FRED sites were not reachable from our environment. House default not used: cost of debt; we could not obtain a yield on Home Depot's longest bond (the 5.40% notes due 2064), so we added to the risk-free rate the 1.35-point spread at which the 3.5% notes due 2056 were issued (therighttrader.com), the only spread we obtained; a one-point change in the cost of debt moves WACC by about 0.1 point. The beta regression has a weight of 48% because its uncertainty (including a 0.29 shift when the five most influential weeks are dropped) is similar to the spread across peers. The five-year monthly beta of 0.95 is higher than the house beta because it includes the 2022–2023 rate shock, when housing stocks moved more with the market. Segment shares come from the fiscal 2025 10-K through edgar.tools, because the segment note is not in the XBRL company facts. Peer forward P/E multiples are from Yahoo Finance on 15 November 2026. All valuation figures are computed by our valuation model, and the saved inputs match the published range and weighted value. We did not compute a Beneish M-Score. Country risk is not added because sales outside the United States (Canada and Mexico) are well below half of the total. Industry appendix: consumer.

House rules H-2026-11-15.10; skill equity-research (repository copy); inputs: price $348.69 (13 November 2026 close, Yahoo Finance), risk-free 5.15%, beta 0.75, beta build (company regression weight 48%, industry beta 0.70), country-risk basis none, equity risk premium 4.5%, WACC 8.0%, terminal growth 3.0%, composite (house §4.1), reverse DCF from fiscal 2032, PVGO on consensus forward EPS after stock compensation.

Disclaimer: not investment advice. ABiS Capital Research is not a licensed adviser, and nothing here is a recommendation to buy or sell any security.

Sources

Home Depot earnings releases (8-K, 24 February, 19 May and 18 August 2026), 8-K filings of 12 and 21 August 2026, 10-K for fiscal 2025 and 10-Q for the quarter ended 2 August 2026, SEC EDGAR; Home Depot 10-K and 10-Q filings for fiscal 2021–2026 via SEC XBRL company facts, retrieved 15 November 2026; segment note via edgar.tools. Prices: Yahoo Finance daily, weekly and monthly closes for Home Depot, the S&P 500 and consumer discretionary ETFs and peers, the Cboe 10-year Treasury yield index, and consensus, peer forward P/E multiples and Street targets, retrieved 13–15 November 2026. Consensus: Yahoo Finance and Zacks (November 2026). Housing data: NAHB and RISMedia (October 2026). Coverage: ii and Stocktwits (Q2 FY2026); 24/7 Wall St. (finance chief on turnover); UPI and Bloomberg (CEO leave); AJC, Distribution Strategy and Retail Insight Network (SRS, GMS and store count); Insider Monkey (Wolfe Research); market coverage of target changes (November 2026); TIKR, TechNews, TradingKey, Bloomberg, Axios, Yahoo Finance via AOL and seekingalpha.com (news table); therighttrader.com (bond spread). Our event study on Home Depot of 15 November 2026 supplies the earnings reaction history.

DISCLOSURES

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