



ANALYST QUICK NOTES

New products, M&A announcements, management shakeups, earnings surprises. Whatever the news, you want to know what Argus thinks. Our Quick Notes fill this need by providing real-time analysis of current news about Argus-covered companies or other market-moving events. Please check back regularly for new Quick Notes. **Important disclaimer information is on the last page of this document.**

Home Depot Inc. (NYSE: HD: BUY)

Target Price: \$180

Chris Graja, CFA

6/7/2017

Overview:

- We remain bullish on both Home Depot and Lowe's.
- We have differentiated our BUY recommendations for Home Depot and Lowe's by suggesting that Lowe's has more potential to raise margins and return on capital while HD is currently executing its business plan at a higher level.

Weekend Store Check:

- In one, admittedly isolated example, HD won a \$400 sale on a widely available Weber grill.
 - #3 best-selling grill on Homedepot.com.
 - #1 highest rated grill on Lowe's.com.
- We will caution that we are looking at an extremely narrow sample: one product, one store in each chain and one geographic market.

What did Depot do well?

- Depot had all three of their top-selling SKUs assembled and covered with plastic in front of the store (outside); there were at least a dozen assembled units.
- We were immediately greeted inside the front door.
 - We did not need to wait for a specific employee or someone from a specific department.
 - The greeter made a call on a phone device. In less than a minute, an associate walked us outside.
 - Associate wrote the SKU number on a piece of paper and said that when we returned from the register he would:
 - Answer any questions about the grill.
 - Provide an inventory of the additional pieces: grilling grates, warming grate, control knobs and battery for the ignitor.
 - Load it into our car.
 - The entire transaction took less than 10 minutes.

What could Lowe's have done better?

- Had to wait almost 10 minutes for an associate in the busy outdoor power equipment department to tell us if the grill was in stock and assembled.
 - Grill was in stock, but not assembled.
 - Told that we could rent a truck and assemble it ourselves.
 - Told we would have to wait four days -- until Wednesday -- to get an assembled grill.
 - Not told if a nearby Lowe's store had the unit available.
 - No effort to sell a similar unit or upsell.
 - No effort to offer a discount or incentive to wait until Weds.
- Lowe's has a very compelling display of seasonal merchandise and at a less busy time may have been able to offer more hands-on assistance.

Conclusion:

- We remain bullish on both stocks, but for different reasons.
-

DISCLAIMER

This Note reflects the current thinking of an Argus analyst anticipating or responding to corporate earnings reports or other news relevant to covered companies. This Note may be an initial, real-time response to developments that are expected to impact stocks under coverage; as such, it does not imply that the information in it is correct as of any time after its preparation or that there has been no change in the business, financial condition, prospects, creditworthiness or status of a covered company. The views or opinions expressed in this Note are subject to change pending further analysis. This Note is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. This Note is not an offer to sell or a solicitation of an offer to buy any security. The information presented in this Note is for general information only and does not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this Note. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this Note constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions and opinions than those represented in this Note, and all opinions are reflective of judgments made on the original date of publication. Those reports may reflect the different assumptions, views and analytical methods of the analysts who prepared them and Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this Note or to update or keep current the information contained in other reports so that such information is consistent with, or not contrary to, the information contained in this Note. Argus Research is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc., is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock.

Argus Investors' Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products.
