

HOME DEPOT NYSE:HD

RECENT PRICE **21.56^E** P/E RATIO **14.6** (Trailing: 15.4 Median: 38.0) RELATIVE P/E RATIO **0.93** DIV'D YLD **1.0%** VALUE LINE

TIMELINESS 3 Lowered 6/28/02
SAFETY 2 Raised 10/18/96
TECHNICAL 4 Lowered 11/22/02
 BETA 1.40 (1.00 = Market)

High: 7.8 11.4 11.3 10.7 11.1 13.2 20.2 41.3 69.8 70.0 53.7 52.6
 Low: 2.6 6.6 7.8 8.1 8.1 9.2 10.6 18.4 34.6 34.7 30.3 23.0

LEGENDS
 — 21.0 x "Cash Flow" p sh
 ... Relative Price Strength
 3-for-2 split 7/89
 3-for-2 split 7/90
 3-for-2 split 6/91
 3-for-2 split 7/92
 4-for-3 split 4/93
 3-for-2 split 7/97
 2-for-1 split 7/98
 3-for-2 split 12/99
 Options: No
 Shaded area indicates recession

2005-07 PROJECTIONS

| | Price | Gain | Ann'l Total Return |
|------|-------|---------|--------------------|
| High | 100 | (+315%) | 43% |
| Low | 75 | (+210%) | 33% |

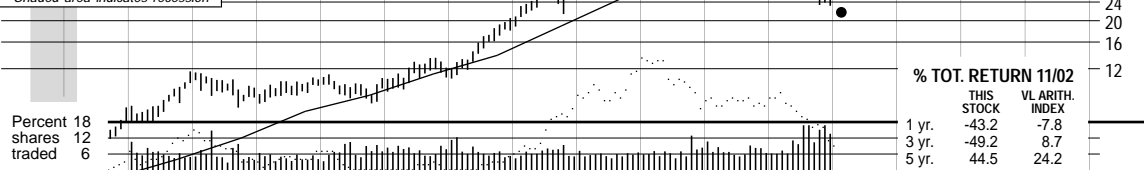
Insider Decisions

| | F | M | A | M | J | J | A | S | O |
|---------|---|---|---|---|---|---|---|---|---|
| to Buy | 1 | 1 | 0 | 2 | 2 | 0 | 0 | 0 | 0 |
| Options | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 |
| to Sell | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Institutional Decisions

| | 10/2002 | 2/2002 | 3/2002 |
|-----------|-----------------------|--------|--------|
| to Buy | 528 | 517 | 604 |
| to Sell | 525 | 579 | 502 |
| Hlds(000) | 143130414293331356004 | | |

Percent 18
 shares 12
 traded 6



| Year | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----|
| Price | .78 | .97 | 1.31 | 1.77 | 2.34 | 2.70 | 3.58 | 4.57 | 6.12 | 7.21 | 9.03 | 11.00 | 13.65 | 16.68 | 19.68 | 22.83 | 25.50 | 28.40 | |
| Dividend | .02 | .04 | .06 | .09 | .12 | .16 | .22 | .27 | .36 | .43 | .54 | .66 | .90 | 1.21 | 1.37 | 1.62 | 1.95 | 2.30 | |
| Earnings | .02 | .04 | .05 | .07 | .10 | .13 | .18 | .22 | .29 | .34 | .43 | .52 | .71 | 1.00 | 1.10 | 1.29 | 1.54 | 1.80 | |
| Div'ds Decl'd | -- | -- | -- | .01 | .01 | .01 | .02 | .02 | .03 | .04 | .05 | .06 | .08 | .11 | .16 | .17 | .21 | .24 | |
| Book Value | .13 | .21 | .25 | .33 | .42 | .89 | 1.15 | 1.39 | 1.69 | 2.32 | 2.75 | 3.23 | 3.95 | 5.36 | 6.46 | 7.71 | 8.85 | 10.25 | |
| Market Cap (\$B) | 1293.1 | 1500.7 | 1525.7 | 1554.8 | 1631.2 | 1900.0 | 1996.1 | 2022.1 | 2040.1 | 2147.0 | 2162.3 | 2196.3 | 2213.2 | 2304.3 | 2323.7 | 2345.9 | 2312.0 | 2305.0 | |
| P/E Ratio | 19.8 | 18.1 | 17.8 | 21.4 | 25.4 | 40.9 | 47.1 | 42.3 | 33.0 | 27.9 | 26.5 | 30.8 | 40.1 | 45.8 | 46.6 | 35.6 | 28.0 | 28.0 | |
| Relative P/E | 1.34 | 1.21 | 1.48 | 1.62 | 1.89 | 2.61 | 2.86 | 2.50 | 2.16 | 1.87 | 1.66 | 1.78 | 2.09 | 2.61 | 3.03 | 1.81 | 1.85 | 1.85 | |
| Div'd Yield | -- | .3% | .4% | .4% | .3% | .2% | .2% | .3% | .3% | .4% | .4% | .4% | .3% | .2% | .3% | .4% | .4% | .3% | .3% |

| Year | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales per sh | 46.10 | 39.5 | 3.10 | .28 | 17.00 | 2300.0 | 28.0 | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 |
| "Cash Flow" per sh | 3.95 | 3.10 | .28 | 17.00 | 2300.0 | 28.0 | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 |
| Earnings per sh | 3.10 | .28 | 17.00 | 2300.0 | 28.0 | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 | 39480 |
| Div'ds Decl'd per sh | .28 | 17.00 | 2300.0 | 28.0 | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 | 39480 | 1500 |
| Book Value per sh | 17.00 | 2300.0 | 28.0 | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 |
| Common Shs Outst'g | 2300.0 | 28.0 | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 | 1500 |
| Avg Ann'l P/E Ratio | 28.0 | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 |
| Relative P/E Ratio | 1.85 | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 | 1500 |
| Avg Ann'l Div'd Yield | .3% | 106000 | 33.5% | 12.5% | 2330 | 7345 | 37.5% | 6.9% | 11835 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 | 1500 | 39480 |

CAPITAL STRUCTURE as of 11/3/02

Total Debt \$1322.0 mill. Due in 5 Yrs 1060.0 mill.
 LT Debt \$1316.0 mill. LT Interest \$75.0 mill.
 (LT interest earned: 45.5x; total interest coverage: 45.3x)

Leases, Uncapitalized Annual rentals \$517.0 mill.
 Pension Liability No defined benefit plan.

Pfd Stock None
 Common Stock 2,328,000,000 shs. (94% of Cap'l)

MARKET CAP: \$55.9 billion (Large Cap)

CURRENT POSITION

| (SMILL.) | 2000 | 2001 | 11/3/02 |
|------------------|------|-------|---------|
| Cash Assets | 177 | 1662 | 3993 |
| Receivable | 835 | 1071 | 1258 |
| Inventory (LIFO) | 6556 | 7242 | 8314 |
| Other | 209 | 197 | 239 |
| Current Assets | 7777 | 10172 | 13804 |
| Accts Payable | 1976 | 3314 | 5435 |
| Debt Due | 4 | 60 | 6 |
| Other | 2405 | 3162 | 3636 |
| Current Liab. | 4385 | 6536 | 9077 |

| Year | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|--------|-------|-------|-------|-------|
| Total Debt | 7148.4 | 9238.8 | 12477 | 15470 | 19536 | 24156 | 30219 | 38434 | 45738 | 53553 | 58900 | 65500 | 7148.4 | 9238.8 | 12477 | 15470 | 19536 | 24156 |
| LT Debt | 8.7% | 8.6% | 9.0% | 8.8% | 9.0% | 9.5% | 10.0% | 11.1% | 10.5% | 10.6% | 11.5% | 11.7% | 11.5% | 11.7% | 11.5% | 11.7% | 11.5% | 11.7% |
| Operating Margin | 214 | 214 | 340 | 422 | 512 | 624 | 761 | 913 | 1134 | 1333 | 1533 | 1735 | 1735 | 1735 | 1735 | 1735 | 1735 | 1735 |
| Net Profit (\$mill) | 362.9 | 457.4 | 604.5 | 731.5 | 937.7 | 1160.0 | 1614.0 | 2320.0 | 2581.0 | 3044.0 | 3650 | 4260 | 3650 | 4260 | 3650 | 4260 | 3650 | 4260 |
| Income Tax Rate | 37.0% | 37.9% | 38.3% | 38.8% | 38.9% | 38.9% | 39.2% | 39.0% | 38.8% | 38.6% | 37.6% | 37.5% | 37.6% | 37.5% | 37.6% | 37.5% | 37.6% | 37.5% |
| Net Profit Margin | 5.1% | 5.0% | 4.8% | 4.7% | 4.8% | 4.8% | 5.3% | 6.0% | 5.6% | 5.7% | 6.1% | 6.5% | 6.1% | 6.5% | 6.1% | 6.5% | 6.1% | 6.5% |
| Working Cap'l (\$mill) | 807.1 | 994.0 | 918.8 | 1255.5 | 1867.3 | 2004.0 | 2076.0 | 2734.0 | 3392.0 | 3636.0 | 4750 | 5425 | 4750 | 5425 | 4750 | 5425 | 4750 | 5425 |
| Long-Term Debt (\$mill) | 843.7 | 842.0 | 983.4 | 720.1 | 1246.6 | 1303.0 | 1566.0 | 750.0 | 1545.0 | 1250.0 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 |
| Shr. Equity (\$mill) | 2304.1 | 2814.1 | 3442.2 | 4987.8 | 5955.2 | 7098.0 | 8740.0 | 12341 | 15004 | 18082 | 20835 | 24085 | 20835 | 24085 | 20835 | 24085 | 20835 | 24085 |
| Return on Total Cap'l | 12.3% | 13.1% | 14.3% | 13.0% | 13.3% | 14.2% | 16.0% | 18.0% | 15.9% | 16.0% | 17.5% | 17.5% | 17.5% | 17.5% | 17.5% | 17.5% | 17.5% | 17.5% |
| Return on Shr. Equity | 15.7% | 16.3% | 17.6% | 14.7% | 15.7% | 16.3% | 18.5% | 18.8% | 17.2% | 16.8% | 18.0% | 18.0% | 18.0% | 18.0% | 18.0% | 18.0% | 18.0% | 18.0% |
| Retained to Com Eq | 14.2% | 14.5% | 15.6% | 12.9% | 13.9% | 14.4% | 16.5% | 16.7% | 14.7% | 14.6% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% |
| All Div'ds to Net Prof | 10% | 11% | 11% | 12% | 12% | 12% | 10% | 11% | 14% | 13% | 13% | 13% | 13% | 13% | 13% | 13% | 13% | 13% |

ANNUAL RATES

| of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '99-'01 |
|--------------------|--------------|-------------|---------------|
| Sales | 24.0% | 21.5% | 16.0% |
| "Cash Flow" | 27.5% | 26.0% | 19.0% |
| Earnings | 27.5% | 26.0% | 19.0% |
| Dividends | 33.0% | 28.5% | 10.5% |
| Book Value | 28.0% | 23.5% | 18.0% |

BUSINESS: The Home Depot, Inc. operates a chain of retail building supply/home improvement "warehouse" stores across the U.S. and in Canada. Acquired 75% interest in Aikenhead's (renamed Home Depot Canada) in 2/94. Avg. store size: 108,000 sq. ft. in-door plus 24,000 sq. ft. garden center; items stocked: 45,000. Product lines incl. building mat's, lumber, floor/wall coverings; plumbing, heating, and electrical; paint & furniture; seasonal and specialty items; hardware & tools. '01 deprec. rate: 4.2%. Has about 256,000 employees. Off. & Dir. own 3.8% of stock (4/02 Proxy). Chairman, President and Chief Executive Officer: Robert L. Nardelli. Incorporated: Del. Address: 2455 Paces Ferry Road N.W., Atlanta, GA 30339. Tel.: 770-433-8211. Internet: www.homedepot.com.

Home Depot will probably post share-net growth of 19% in fiscal 2002 (ends January 31st). We note, though, that we recently reduced our bottom-line estimate for the year by \$0.03, to \$1.54, as a result of weaker-than-expected sales trends in December. Moreover,

We have pared our fiscal 2003 share-net estimate by a nickel, to \$1.80. The revision is due, in part, to the adoption of SFAS 123, which deals with the expensing of stock options. The options will be expensed over the vesting period based on the fair value at the date they are granted. Home Depot estimates that the accounting change will likely shave approximately \$0.02-\$0.03 a share off fiscal 2004's bottom line. What's more, further top-line woes could put place pressure on earnings.

| Fiscal Year Begins | Apr.30 | Jul.31 | Oct.31 | Jan.31 | Full Fiscal Year |
|--------------------|--------|--------|--------|--------|------------------|
| 1999 | 8952 | 10431 | 9877 | 9174 | 38434 |
| 2000 | 11112 | 12618 | 11545 | 10463 | 45738 |
| 2001 | 12200 | 14576 | 13289 | 13488 | 53553 |
| 2002 | 14282 | 16277 | 14475 | 14741 | 59775 |
| 2003 | 15725 | 18330 | 16320 | 16625 | 67000 |

The company continues to look to attract customers via better service and efficiency improvements. One of the most noteworthy of Home Depot's service-boosting initiatives is the rollout of its new checkout system, FAST (which stands for Front-End Accuracy and Service Transformation). The new system features software that is designed to improve speed,

| Fiscal Year Begins | Apr.30 | Jul.31 | Oct.31 | Jan.31 | Full Fiscal Year |
|--------------------|--------|--------|--------|--------|------------------|
| 1999 | .21 | .29 | .25 | .25 | 1.00 |
| 2000 | .27 | .36 | .28 | .19 | 1.10 |
| 2001 | .27 | .39 | .33 | .30 | 1.29 |
| 2002 | .36 | .50 | .40 | .28 | 1.54 |
| 2003 | .40 | .56 | .47 | .37 | 1.80 |

accuracy, and service at the checkout stations. It allows for self-service checkouts and uses upgraded technology that will improve cashier efficiency, while providing the company with information regarding its customers' shopping patterns. Home Depot is looking to have the software implemented in 300 stores this year and in 500 units next year. Going forward, such productivity improvements, coupled with ongoing customer service-enhancing initiatives, may well help the company fend off increasing competition from Lowe's.

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 1999 | .02 | .027 | .027 | .04 | .11 |
| 2000 | .04 | .04 | .04 | .04 | .16 |
| 2001 | .04 | .04 | .04 | .05 | .17 |
| 2002 | .05 | .05 | .05 | .06 | .21 |

A few factors ought to fuel Home Depot's long-term growth engine. In addition to annual new-store growth of about 200 units over the next few years, further penetration into the professional market should help the company maintain a leadership position in the industry. **The current stock price may present a good opportunity for patient investors.** Indeed, this issue offers compelling 3- to 5-year appreciation potential. For the coming six to 12 months, however, HD shares are ranked to mirror the broader market averages.

(A) Fiscal year ends Sunday closest to January 31st of the following year.
 (B) Diluted earnings. Next earnings report due mid-Feb. Qtrly egs. may not sum due to round-

(C) Next div. meeting late Feb. Goes ex. early March. Approx. dividend payment dates: 24th of March, June, Sept., Dec.
 (D) In millions, adjusted for stock splits.
 (E) Price is as of 1/3/03 at 11:00 a.m. E.S.T.

| Company's Financial Strength | A++ |
|------------------------------|-----|
| Stock's Price Stability | 55 |
| Price Growth Persistence | 70 |
| Earnings Predictability | 90 |

To subscribe call 1-800-833-0046.